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# **THE FACTORS INFLUENCES AUDIT QUALITY IN LOCAL GOVERNMENT (CASE STUDY: INSPECTORATE OF WEST SUMATERA PROVINCE)**

## **THESIS**



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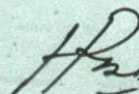
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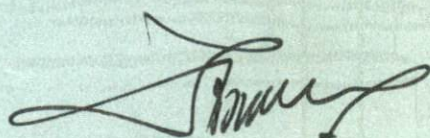
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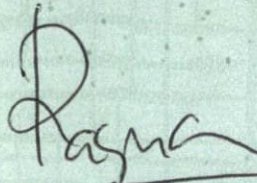
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**The Factors Influences Audit Quality in Local Government (Case Study: Inspectorate of West Sumatera Province)**

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**ABSTRAK**

The aim of this research is to examine the factors that influence the Audit Quality in Inspectorate of West Sumatera Province. The sample of this research was Auditor and P2UPD in Inspectorate of West Sumatera Province. Author used qualitative approach and case study method. The author used preliminary observation and field survey to gather the data. The results of this research conclude that the Inspectorate of West Sumatera Province has implemented all audit system very well. This study also proved that all factors, that are: independence, objectivity, work experience, competence, and integrity has influence to audit quality in local government. So, author may conclude that those factors are very important in maintain the quality of audit in local government

*Keyword: Audit Quality, Internal Audit, Inspectorate, Local Government, Independence, Objectivity, Work Experience, Competence, Integrity*

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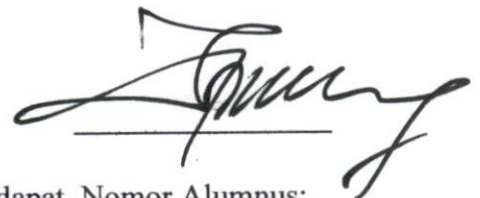
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## LEMBAR PERNYATAAN

Saya yang bertanda tangan di bawah ini menyatakan bahwa skripsi dengan judul: The Factors Influences Audit Quality in Local Government (Case Study: Inspectorate of West Sumatera Province). Merupakan hasil karya saya sendiri, dan tidak terdapat sebagian atau keseluruhan dari tulisan yang memuat kalimat, ide, gagasan, atau pendapat yang berasal dari sumber lain tanpa memberikan pengakuan pada penulis aslinya. Adapun bagian-bagian yang bersumber dari karya orang lain telah mencantumkan sumbernya sesuai dengan norma, etika dan kaidah penulisan ilmiah. Apabila dikemudian hari ditemukan *plagiat* dalam skripsi ini, saya bersedia menerima sanksi pencabutan gelar akademik yang telah saya peroleh.

Padang, 11 Januari 2013



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## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Background**

Internal control by the Government Internal Supervisory Apparatus (APIP) contained in the Government Internal Control System (SPIP), consist of audit, review, evaluation, monitoring and other surveillance activities. Supervision is helping to set organizational goals can be achieved, and early to avoid the occurrence of deviations implementation, abuse, waste and leakage.

Audit which is one part of the surveillance, in the practical consists of seeking information about what actions are implemented in an agency being examined, comparing the results with defined criteria, and approves or rejects the results by giving recommendations on corrective measures.

Tests carried out by APIP sometimes encounter obstacles in the implementation where the sense of family, togetherness and humane considerations that are too prominent. Another problem encountered in the implementation quality improvement of APIP is how to improve the attitude / behavior, the ability of surveillance personnel in conducting the examination, so that monitoring can be implemented goes fairly, effectively and efficiently.

Users of report that resulted from tests carried out by APIP want any supervisory personnel who clean, dignified, orderly and regular in performing duties and functions under the provisions and norms. Norms and regulations that

apply to the government internal auditors, consists of APIP Code of Conduct and APIP Auditing Standards. Code of Conduct is intended to keep the APIP behavior in performing their duties, while the Auditing Standards are intended to maintain the quality of audits conducted by APIP. Given these rules, the public or the user can report assessing the extent to which government auditors have been working in accordance with the standards and ethics that have been established.

APIP Code of Conduct in the Minister of State for Administrative Reform (PERMENPAN) Number PER/04/M.PAN/03/2008, one goal is to prevent the occurrence of unethical behavior, to fulfill the accountability of work principle and to realize the implementation of audit control to have credible auditor with optimal performance in conducting audits. Behavioral principles applied to the auditors such as; integrity, objectivity and competence. Integrity necessary for the auditor to act in honest and firm in carrying out the audit; auditor's objectivity is required in order to be fair without being affected by pressure or request by certain interested parties to the results of the audit; and auditor competence is supported by knowledge, and abilities required to perform the task.

APIP Audit Standards, that set in the PERMENPAN Number PER/05/M.PAN/03/2008, used as a reference for all APIP in conducting the audit. Common standards in the auditing standards, such as; set about auditor independence and objectivity of APIP. Mentioned in the general standard is that "in all matters relating to the audit, APIP should be independent, and the auditor should be objective in the execution of his duty". This means that the independence and objectivity of the auditor APIP is required in order to increase the quality of the work of APIP.

That is not easy to maintain independence, objectivity and integrity of auditors. Work experience and competence of the auditor is not attached to the self-assurance that the auditor can improve the quality of the examination. Alim et al. (2007) stated that cooperation with the examination of objects that are too long and frequently could lead to insecurity over the independence of the auditor owned. And its add with the various facilities provided by inspection objects for the assignment can affect the objectivity of the auditor, and it's not impossible that the auditor do dishonest act in revealing facts that indicate a low integrity of the auditor. Therefore, it is interesting to conduct research on the influence of these factors work experience, independence, objectivity, integrity and competence to improve the quality of the examination results.

In accordance with general standards in the Public Accountants Professional Standards that the auditor is required to have enough work experience in the profession who practiced, and are required to meet the technical qualifications and experience in the industries they audit (Arens et al., 2004). Experience has an impact on any decision taken in implementation of the audit, so that is expected that every decision taken is the right decision. This indicates that the longer the period of employment which has by the auditor, the auditor will have the better the quality of the resulting audit.

Research conducted by Budi et al. (2004) and Oktavia (2006) about the work experience, give the result that there is no effect of work experience on auditor decision making, while from the research conducted by Suraida (2005) stated that the audit experience and competence influence to the professional skepticism and affect the accuracy of the auditor's opinion provision of public



accountants. Similar with research conducted by Asih (2006), found that auditors experience from the work time, the number of tasks as well as many types of companies audited have positive impact on auditor expertise in auditing. Herliansyah et al. (2006), from the research found that the experience reducing the impact of irrelevant information to the auditor's judgment.

Independence and competence significantly influence audit quality comes from research by Christiawan (2002) and Alim et al. (2007). The same is done by Mardisar et al. (2007), which give results that work with low complexity significantly influence the quality of the work of auditors. Then Trisnarningsih (2007) stated that the understanding of good governance can improve the performance of the auditor if the auditor during the execution of the examination has always upheld the independence stance.

Most of the studies ever conducted in order to evaluate the quality of audit, always make a conclusion from the viewpoint of the auditor (Widagdo et al., 2002). Hogan (1997) explains that the big auditor company can provide a good quality audit which can reduce the occurrence of underpricing when the company made an Initial Public Offering (IPO). Teoh and Wong (1993) also provide evidence that the ERC (Earnings Response Coefficient) from company which is become the audit clients in big audit company, statistically significantly greater than the company became a client in a small audit firm. Big audit firm shows the better credibility of the auditor, which means the quality of audits carried out better (Hogan, 1997; Teoh and Wong, 1993). Sutton (1993) has conducted research on audit quality measures at stage of the process. Research conducted by Mock and Samet (1982) developed a list of potential audit quality factors of

literature, that is screening that used by the auditor and the auditor survey to evaluate the list. Meier and Fuglister (1992) revealed that the quality of audits according to the traditional concept consists of 3 (three) categories of activities that need to be analyzed. Category is the preparation, appraisal and failure activities.

Research on the independence has been a lot done, including by Pany and Reckers (1980) who found that auditor independence is influenced by the size of the client and giving gifts. Then Lavin (1976), in his research explain more deeply the concept of independence in terms of the relationship between client and auditor through third-party observations. The amount of research on the independence shows that the independence factor is an important factor for the auditor to carry out his profession.

Competence and independence of the auditor in the application have to be related to ethics. Accountants have an obligation to maintain the highest standards of ethical behavior to the organization where they take shelter, their professions, communities and themselves where the accountant has a responsibility to be competent and to maintain their integrity and objectivity (Nugrahaningsih, 2005). Research on ethics that has been done by Cushing (1999), offers a framework to test the approach of the ethical standards of professional accountants. The framework is based on game theory through the purchase of opinion by the audit client. Payamta (2002) stated that based on "Ethical Guidelines" IFAC, the terms of the ethics of an accountant organization should be based on fundamental principles that govern the actions / behavior of an accountant in performing his professional duties. These principles are (1) integrity, (2) objectivity, (3)

independent, (4) trust, (5) technical standards, (6) professional ability, and (7) ethical behavior.

Based on the background of the above problems, the author interested to conduct research with the title: "**The Factors Influences Audit Quality in Local Government. (Case study: Inspectorate of West Sumatera Province)**".

### **1.2 Problem Definition**

Based on the previous background, the main problem in this research can be formulated as: "How the factors influence the audit quality in Inspectorate of West Sumatera Province?"

### **1.3 Research Objective**

*The aim of this research is to examine the factors that influence the Audit Quality in Inspectorate of West Sumatera Province.*

### **1.4 Research Benefit**

This research is expected to be useful for:

#### **1. Researcher**

Applying the knowledge during the lecturing and implementing it to the real situation. This research also used as the requirements of graduation for bachelor degree.

#### **2. Inspectorate of West Sumatera Province**



As input in supporting the implementation of regional autonomy, especially the role of the Inspectorate in the area of financial control and in order to realize good governance. So that the Inspectorate is expected to create programs that contribute to improving the quality and capability.

### 3. Readers

As additional information to expand knowledge, as third party so they get a better understanding of influencing factors that's influence the audit quality in Inspectorate of West Sumatera Province.

## 1.5 Systematical Writing

The systematical writing of this thesis divided into five sections. Chapter one describes the background of the problem, problem statement, research objectives, research benefits, and structure of systematical writing of this thesis. Chapter two includes the literature reviews of any related theories and opinions of the experts gathered from different sources, such as textbooks, result from previous research, journals, and internet based contend and information.

Chapter three discuss the research methodology used in preparation of this type of research, types and source of data, data collection procedure and method and analysis techniques used to analyze the data and any information needed for the thesis. Chapter four describe the result of research based on the data and information gathered relation with to the question statement and achieving the objective of the research by evaluating the theories and the implementation of

subject in this company. In addition, chapter five describes the conclusion of all the results of research presented by previous chapter and additional feedback in form of suggestion, and discusses the limitation of the research.

## **CHAPTER II**

### **THEORITICAL FRAMEWORK**

#### **2.1 Definition of Auditing**

Auditing is one of the services that provide by public accountants who are required to check the fairness of the financial statements audited, so that financial reports produced by an audited company may be more trusted by the users of financial statements. There are some definitions of auditing, they are:

According to Arens, Elder, Beasley (2010:4) auditing is:

"The accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria for auditing should be done by a competent, independent person".

According to Mulyadi (2002:11) Auditing is:

"Auditing is a systematic process to obtain and evaluate evidence objectively about the statements about the activities and economic events, in order to determine the level of concordance between these statements with the established criteria and communicating the results to the user concerned"

The definition of auditing that mentioned above can be interpreted as collecting and evaluating the evidence for the information. It is to determine and



to report the level of compliance information with the criteria that have been set and auditing also must be implemented by a competent and independent person.

## **2.2 Distinctions between Auditing and Accounting**

The users of financial statement and the members of the public still confuse to distinct auditing with accounting. The confusion because most auditing is usually concerned with accounting information and auditors has considerable expertise in accounting matters.

Accounting is the recording, classifying, and summarizing of economic events in a logical manner for providing financial information for decision-making. To provide relevant information, accountants must have an understanding of the principle and rules that provide the basis for preparing the accounting information. When auditing data, auditors focus on determining whether recorded information properly reflects the economic events that occurred during the accounting period. To understanding accounting, the auditor must possess expertise in the accumulation and interpretation of audit evidence. It is this expertise that distinguishes auditors from accountants. Determining the proper audit procedures, deciding the number and types of items to test, and evaluating the results are problems unique to the auditor (Arens and Loebbecke, 2000:3).

## **2.3 Types of Audits**

Arens, Elder and Beasley (2010:14) also mention that there are three types of audit:

## 1. Operational Audit

This type evaluates the efficiency and effectiveness of organization is operating procedures and methods. Auditors might evaluate the efficiency and accuracy of processing payroll transactions in a newly installed computer system. In operational auditing, the reviews are not limited to accounting. They can include the evaluation of the organizational structure, computer operations, production methods, marketing, and any other area in which the auditor is qualified. Efficiency and effectiveness of operations are far more difficult to evaluate objectively than compliance or the presentation of financial statements in accordance with General Accepted Accounting Principle (GAAP).

## 2. Compliance Audits

Compliance audit is conducted to determine whether the auditee is following specific procedures, rules, or regulations set by some higher authority.

## 3. Financial Statement Audits

This type is conducted to determine whether the overall financial statements (the information being verified) are stated in accordance with specified criteria, especially GAAP.

## 2.4 Types of Auditors

There are some types of auditors being practiced today. Such as, certified public accounting firms, government accountability office auditors, internal revenue agents, and internal auditors.

### a. Certified Public Accounting Firms (CPA Firm)

CPA firms often called *external auditors* or *independent auditors*. It has responsible for auditing the published historical financial statements of all publicly traded companies, most other reasonably large companies, and many smaller companies and noncommercial organizations.

### b. Government Accountability Office auditor

This auditor working for the government, it has responsibility to perform the audit function and has many of the same audit responsibilities as a CPA firm.

### c. Internal Revenue Agents

The auditors who perform to examine whether the taxpayers' have complied to the tax laws. The tax laws are highly complicated, and there is hundreds of volume of interpretations. An auditor involved in any of these areas must have considerable tax knowledge and auditing skills to conduct an effective audit.

### d. Internal Auditor

The auditors employed by individual companies to audit for management. Internal auditors' responsibilities vary considerably, depending on the employer. This auditor is involved in operational auditing or has expertise in evaluating computer systems.

## **2.5 Local Government Financial Management**

Financial management area is divided into three major processes. Those are; the planning process (including activities of APBD / budgeting), administration (budget implementation process) and reporting (accountability of budget). Accounting process is part of the activities that require reporting of every budget users / user of goods to report all transactions to the financial statements. The APBD structure consists of budget revenues are broken down by local government affairs, organizations, groups, types, objects, and details of the revenue object. So far, in Indonesia have not been on the set of accounting standards that the government is a reference to compile and make the government's financial reporting. Although in 2002 and 2003 have done a number of public hearings on the 11 public draft of government accounting standards. But until now, there has been no endorsement, so it's affect the financial reporting and the preparation of an audit of local government financial reporting (Afiah, 2009).

Accounting, as an information system, has function to identify, collecting, processing, and communicating economic information about an entity to a variety of interested people. Information is processed data that has been useful in decision making. While the system is a collection of resources, that are interconnected to achieve a goal (Bodnar, in Afiah, 2009).



Accounting information systems in planning and control system the public sector has an important role related to its function in the measurement and control. The measurement function, accounting does the collecting process, recording and realization of revenue and expenditure, and also others transactions that occur outside of the income and expenditure, and reporting activities. Then it will be used as a measure of economic performance, efficiency, and effectiveness of local government. The accounting system which is designed properly will ensure the well principles of stewardship and accountability (Jones, in Afiah, 2009)

In line with the reform era, the public sector accounting begins to receive serious attention. There are greater demands from the community to do the transparency and public accountability by public sector institutions. The government itself has begins to have a greater attention to the feasibility assessment of government management practices that include the need for improvement of management accounting systems, financial accounting systems, financial planning, supervision and inspection system, as well as financial implications for the policies of the government. Public sector organizations including government is facing pressure to be more efficient, taking into account the economic costs and social costs and negative impact on the activities undertaken. A variety of these demands can quickly lead to acceptable accounting and is recognized as the science needed to manage public affairs. Public sector accounting in the beginning is a specialized activity of relatively small profession. However, the current public sector accounting is undergoing a process to be more needed discipline and has substantial existence (Mardiasmo, 2002).

In some cases, public sector accounting is different from private sector accounting. Differences in the nature and characteristics of public sector accounting and the private sector it's become of the environmental differences. For examples; the organization's goals, sources of financing, the pattern of accountability, institutional structure, the characteristics of the budget, stakeholders, management / accounting system (Haryanto, 2007).

## **2.6 Local Government Financial Supervision**

Supervision over the implementation needed to ensure that governmental activities went according to plan and in accordance with the provisions of applicable laws. In addition, in order to realize good governance and clean government, supervision is also necessary to support effective and efficient governance, transparent, accountable, also clean and free from Corruption, Collusion, and Nepotism practices. Supervision over Government implementation can be delivery through the inherent supervision, community supervision, and functional supervision (Cahyat, 2004).

Functional supervision is the supervision carried out by agencies / supervisory apparatus that established or designated to carry out supervision functions independently of the monitored object. Functional supervision is carried out by the institution / agency / unit that having duties and functions of the functional supervision through audits, investigations, and assessments to ensure governance implementation in accordance with plans and statutory provisions. Functional supervision conducted by both external government supervisor and internal government supervisor. External supervision is undertaken by the State

Audit Board (BPK), whereas the internal control is undertaken by the Government Internal Supervisory Apparatus (APIP) (Susmanto, 2008).

According to Minister of State for Administrative Reform, numbers PER/05/M.PAN/03/2008, APIP main activities include audit, review, monitoring, evaluation, and other supervision activities to socializing, assistance and consulting, but this rule only regulate the APIP Standard Audit. Audit activities that can be done by the APIP can basically be grouped into the following three types of audit are: first, an audit of financial statements that aim to provide an opinion on the fairness of presentation of financial statements in conformity with generally accepted accounting principles and, second, the performance audit that aims to draws conclusions and recommendations on the management of government agencies economically, efficiently and effectively; and third, the audit with the purpose of audit which aims to provide a conclusion on a matter being audited. Included in this category are investigative audits, audits of issues that are being focus attention by organizational leader and typical audit.

According Susmanto (2008), APIP does functional supervision of the financial management of the state, so it can make effective and efficient to help management in order to assist the government in order to control the activities of work unit leaded (quality assurance functions). Supervision conducted by APIP is expected to provide input to the administrators' leader of the results, obstacles, and the irregularities that occurred over the course of governance and development that are the responsibility of the leaders of the government organizers. Institution / agency / unit that is in the body of the government (internal supervision of government), which has duties and functions does the

supervision functional is the Government Internal Supervisory Apparatus (APIP), consisting of: first, the Financial and Development Supervisory Agency (BPKP), the second, Inspectorate General of the Department; third, the Main Inspectorate / Inspectorate of Non Department Government Institution (LPND) / Ministry; and fourth, Internal Audit Agency or Regional Control Council (Bawasda) of Province / Regency / City.

According Cahyat (2004), based on the object of surveillance, monitoring of local government is divided into three kinds, namely supervision of local laws and policies, implementation of the regional administration of laws and policies as well as regional finance. Inspectorate duties and functions of these areas is the financial supervision. Some local authorities regarding the supervision of the finances and assets of the area is the implementation of budgets (APBD), revenue receipts and the Regional Entity, the procurement of goods / services and maintenance / removal of goods / services, research and evaluation reports personal taxes, the settlement of compensation, as well as wealth research of officials in the government.

## **2.7 Audit Quality**

Until now, there is no exact definition of what and how of good audit quality. Not easy to describe and measure objectively the quality audit by several indicators. This is because audit quality is a complex concept and difficult to understand, so that there is often a mistake in determining the nature and quality. This is evident from the many studies using different dimensions of audit quality.



De Angelo (in Alim et al, 2007) defines audit quality as the probability that the auditor will discover and report the violation in the auditees accounting system. While Deist and Groux (in Alim et al, 2007) explains that the audit quality as the probability to find a violation depends on the auditor's technical ability and the probability of reporting a violation depends on the independence of the auditor.

According to Marxen (1990), as quoted by Sososutikno (2003), poor audit quality is the result of some dysfunctional behavior, namely: underreporting of time, premature sign-off, altering / replacement of audit procedure. Underreporting of time lead to a lack of personnel decisions, cover the needs of the revised budget, and produce unknown time pressure to audit in the future. Premature sign-off (PMSO) is a situation that shows auditors stop the audit of one or several steps required in audit procedures without replacing the other steps. While altering / replacing of the audit procedure is the replacement of audit procedure that should be defined in auditing standards.

In the public sector, the Government Accountability Office (GAO) defines audit quality as adherence to professional standards and a contract during audit period (Lowenshon et al, 2005). Auditing standards use in guidance and measurement of quality performance of an auditor (Messier et al, 2005). According to Minister of State for Administrative Reform number PER/05/M.PAN/03/2008, measuring the quality of audit of financial statements, particularly those carried out by APIP, must use the State Auditing Standards (SPKN).

In appendix 3 SPKN stated that:

"The magnitude of the benefits gained from the examination is not in the reported examination findings or a recommendation made, but is in the effectiveness of the solution adopted by the entity being examined. Management entity examined responsible to follow up the recommendations and to create and maintain a process of information systems to monitor follow up status on the recommendation from the examiner. If management does not have such a way, the examiner shall recommend management to monitor the follow-up status on the recommendation from the examiner. Continuous attention to the inspection findings and its recommendation can help the examiner to ensure the realization of the benefits of the tests "(paragraph 17).

Good audit quality is an audit that can be following up by the auditee. This quality must be built from the beginning of the audit until reporting and administration recommendations. Thus, the indicators used to measure the quality of audits, namely; the quality of the process, detailed conducted of the audit, according to the procedure, while continuing to maintain a skeptical attitude.

De Angelo (1981) defines audit quality as the probability of where an auditor discovered and reported on the existence of a violation in the clients accounting system. This research results show that a big audit firm (KAP) will attempt to provide greater audit quality compared to a small KAP. Deis and

Giroux (1992) conducted a study on the four issues considered to be associated with audit quality: (1) the length of time auditor has conducted an examination of a firm (tenure), the longer the auditor has conducted an audit on the same client, the lower quality of the resulting audit, (2) the number of clients, the more the number of audit clients, the quality will get better because that auditor with the largest number of clients will try to maintain its reputation, (3) the client's financial health, the healthier the financial condition of the client, then the client will have a tendency to suppress the auditor in order not to follow the standards, and (4) review by a third party, audit quality will increase if the auditor is aware that his work will be reviewed by a third party.

Research conducted by Mayangsari (2003) examined the effect of the independence and integrity of the quality of audits of financial statements. The results of this study support the hypothesis that auditor specialization has a positive effect on the integrity of financial statements, as well as the independence has the negative effect on the integrity of financial statements. In addition, corporate governance mechanisms are statistically significant effect on the integrity of financial statements, although not as marked in the proposed hypothesis.

Widagdo et al. (2002) conducted a study on the attributes of quality audits by public accounting firms that have an influence on client satisfaction. There are 12 attributes used in this study, namely (1) audit experience, (2) understanding the client's industry, (3) responsive to the needs of clients, (4) adhere to common standards, (5) independence, (6) the attitude of cautious, (7) a commitment to audit quality, (8) involvement of KAP leader, (9) with the proper conduct of field

work, (10) the involvement of the audit committee, (11) high ethical standards, and (12) is not easy to believe. The results showed that there are 7 attributes that affect the quality of audit client satisfaction, namely; the experience of doing the audit, to understand the client's industry, responsive to client needs, adhere to common standards, a commitment to audit quality and audit committee involvement. While the other 5 attributes: independence, the cautious attitude, doing field work with precise, high ethical standards and not easy to believe, had no effect on client satisfaction.

Independent public accountant or auditor in carrying out their duties should hold the principles of the profession. According Simamora (2002) there are 8 principles that must be complied with public accounting, namely:

1. Professional responsibility.

*Each member must use moral and professional judgment in all the activities he does.*

2. The public interest.

*Each member have to always act within the public service framework, respect and public trust demonstrate a commitment to professionalism.*

3. Integrity.

*Each member must fulfill their professional responsibilities with the highest possible integrity.*



#### 4. Objectivity.

Each member shall maintain objectivity and shall be free from conflicts of interest in fulfilling his professional obligations.

#### 5. Competence and professional prudence.

Each member shall perform professional services with prudence attitude, competence and diligence, and have an obligation to maintain professional knowledge and skills.

#### 6. Confidentiality.

Each member shall respect the confidentiality of information obtained during the conduct of professional services and should not use or disclose such information without consent.

#### 7. Professional Conduct.

*Each member must behave consistent with good professional reputation and avoid actions that could discredit the profession.*

#### 8. Technical Standards.

Each member shall perform professional services with technical standards and relevant professional standards. Therefore, public accountant shall be guided by the Professional Standards of Certified Public Accountants (SPAP) established by the Indonesian Institute of Accountants (IAI), in this case is the auditing standard. Auditing standards

consist of general standards, standards of field work and reporting standards (SPAP, 2001):

1. General standards.

- a. Audit must be carried out by one or more who have skills and adequate technical training as an auditor.
- b. In all matters relating to the engagement, independence in mental attitude must be maintained by the auditor.
- c. In the audit and the preparation of its report, the auditor must use his professional skills with a careful and thorough.

2. Field Work Standards.

- a. Work should be planned well and assistants must be supervised if used properly.
- b. Adequate understanding of the internal control structure must be obtained to plan the audit and determine the nature of the current scope of testing to be performed.
- c. Sufficient competent audit evidence should be obtained through inspection, observation, submissions, questions and confirmation as a reasonable basis for our opinion on the financial statements audited.

3. Reporting Standards.

- a. Auditor's report must state whether the financial statements have been prepared in accordance with generally accepted accounting principles in Indonesia.
- b. Auditor's report should indicate or declare if there are inconsistencies in accounting principles application of current financial statements period compared to the application of accounting principles in the previous period.
- c. Informative disclosures in the financial statements should be considered adequate, unless otherwise stated in the auditor's report.
- d. Auditor's report must contain a statement of opinion on these financial statements on an assertion.

So based on the foregoing, the audit function as a process to reduce the information contained inconsistencies between managers and shareholders by using an outside party to give approval to the financial statements. The users of financial statements, especially the shareholders will make decisions based on statements made by the auditor. It's means that the auditor has an important role in the ratification of a company's financial statements. Therefore, auditors should produce a quality audit so as to reduce the dissonance that occurs between management and owners.

Moizer (1986) suggest that measurement of the quality audit process focuses on performance and compliance audit conducted on the standards

outlined. Indonesian Institute of Accountants (IAI) state that, high quality audit by auditors will occurs if they meet the standards of auditing and quality control standards.

AAA Financial Accounting Committee (2000) in Christiawan (2002) states that "The quality of audit is determined by two things: competence (expertise) and independence. Both of these directly influence the quality of audits. Furthermore, the perception of users of financial statements for audit quality is a function of their perceptions on auditor independence and expertise ".

## **2.8 Independence**

Independent means that the auditor is not easily influenced. Auditors are not justified biased towards anyone. According Pusklatwas BPKP (2005), an independent auditor is the auditor who is not biased or impartial unpredictable, so it does not harm any party. In Arens and Mark S Beasley (2004) stated the value of auditing depends on the public's perception of auditor independence held.

Inside The CPA Handbook by E.B. Wilcox, the definition of independence is an important auditing standard for independent accountants opinion aims to increase the credibility of financial statements presented by management. If the accountant is not independent of his client, then his opinion will not provide any additional (Mautz and Sharaf, 1993:246). Accountant Code of Conduct in 1994 stated that independence is the attitude expected of a public accountant for not having a personal interest in the execution of his duty, contrary to the principles of integrity and objectivity.



Research conducted by Lavin (1976) showed that the manufacturing company's bookkeeping or implementation of data processing functions of the auditor will have no effect on the techniques used to audit the auditors. Moreover uses of computers for business clients are also not considered to undermine the independence of the auditor. Shockley (1981) conducted a study on the four factors that affect the independence of public accountants which research respondents are public accounting firms, banks and financial analysts. Factors studied were the provision of consulting services to clients, the competition among KAP, KAP size and long-standing relationship with the audit client. These results indicate that KAP is providing management consulting services to audit clients that may increase the risk of damage to a greater independence than those who do not provide such services. Level of competition between KAP can also increase the risk of damage to the independence of public accountants. KAP has a smaller risk of losing the independence that is greater than the larger KAP. While the old factor binding relationship with a particular client does not significantly affect the independence of public accountants.

Supriyono (1988) in Wati and Subroto (2003) has conducted research on the independence of the auditor in Indonesia. This research studied the factors that affect the independence of the auditor: (1) bond financial decisions and business relationships with clients, (2) competition among KAP, (3) the provision of services other than audit services, (4) long assign of audit, (5) large accounting firms, and (6) the amount of audit fee. Respondents were selected covering the

company's financial director who has gone public, partner KAP, bank credit officers and non-bank financial institutions, and Bapepam.

Pany and Reckers (1980) research results showed that although the numbers are a little reward significant effect on auditor independence, while the size of the client is not affected significantly. Research by Knapp (1985) showed that the greatest subjectivity in the standard technique reduces the auditor's ability to survive the pressures of clients and a sound financial position has the ability to generate audit conflict. Mayangsari (2003) found that the results of the test the first hypothesis by using ANOVA analysis of the results obtained that the auditors who have expertise and provide an independent opinion on the viability of companies that tend to correct than auditors who only has one characteristic or simply did not have both. The results of the second hypothesis testing using Simple test Analysis of Variance factorial obtained results that the auditors are experts more atypical given the information that auditors are not experts, while more typical given the information.

The Trisnaningsih (2007) research result indicates that the auditor who only understand good governance but in the implementation of inspection not uphold the independence it has no effect on its performance. Alim et al (2007) and Cristiawan (2002) found that independence has significant effect on the audit quality. The auditor should be gather all information needed in decision-making audit where it should be supported by an independent attitude.

Research conducted by Alim, Hapsari, and Purwanti (2007) find empirical evidence that the independence have significant effect on audit quality. These

results are consistent with the research of De Angelo (1981), Deist and Giroux (1992), Mayangsari (2003). In addition, according to Alim, Hapsari, and Purwanti (2007), independence interaction and auditor ethics have significant effect on audit quality.

In research Sukriah, Akram and Inapty (2009) examined the effect of independence on audit quality and the results were not significant, which means independence had no effect on audit quality. These results do not support previous studies.

The second general standard statement in SPKN is: "In all matters relating to the work of inspection, inspectors and examiners organizations should be free in the mental attitude and appearance from personal problems, external, and also free from organizations that may affect its independence". With this second statement of the general standard, the inspectors and examiners organizations are responsible to maintain such independence, so that opinions, conclusions, or recommendations from the consideration of examination results conducted impartial and seen to be impartial by any party.

Arens, et al (2000) defines independence in auditing as "The use of an unbiased perspective in the implementation of audit testing, evaluation of the testing results, and reporting of audit findings." While Mulyadi (1992) defines independence as "a free circumstance from influence, is not controlled by others, do not depend on others" and the independent public accountant must be a public accountant who is not affected by the forces that originate from outside of accountants in consider the facts he encountered in the examination.

According to Messier et al (2005), independence is a term often used by professional auditors. Independence avoids relationships that might interfere with the objectivity of the auditor. BPKP (1998) defines objectivity as a person who free from the influence of subjective views of other parties concerned so he/she can express their opinions.

In appendix 2 SPKN stated that:

"The disturbance caused by a personal relationship and personal views may lead the examiner to limit the scope of the disclosure, or weaken the questions and findings in all its forms. Inspectors are responsible to inform the competent authority in the organization if the inspectors had personal problems of independence. Personal interference of the individual examiner includes, namely:

- a. Consanguinity ties up, down, or related by marriage to the second degree with a range of management entity or program being examined or as an employee of the entity being examined, in a position to provide a direct and significant impact on the entity or program being examined.
- b. Has a financial interest either directly or indirectly to the entity or program being examined.
- c. Been working or providing services to the entity or program being examined in the previous two years.



- d. Have a cooperative relationship with the entity or program being examined.
- e. Involved either directly or indirectly in activities of the examination object, such as providing assistance, consulting services, systems development, organizing and / or reviewing financial statements of the entity or program being examined.
- f. Prejudice to the individual, group, organization or goals of a program, which can make one-sided conducting"

## **2.9 Objectivity**

Objectivity is a quality that gives value to the services provided by the auditor. Principle of Objectivity requires auditor to be fair, impartial, intellectually honest, no prejudice or bias, and free from conflicts of interest or be under the influence of other parties. Auditors work in many different capacities and have showed their objectivity in various situations. Auditors in public accounting practices provide attest services, tax and management consulting. Other auditors prepare financial statements as a subordinate, doing the work of internal audit services in the financial and management capacities in industry, education and government. They must protect the integrity of their work and maintain objectivity (Mulyadi, 2002).

In Article 1 paragraph (2) of the Indonesian Accountants Code of conduct mandates: that each member must maintain the integrity and objectivity

in performing their duties. By maintaining the integrity, he will act honestly, firmly, and without pretensions. By maintaining objectivity, he would act fairly, regardless of pressure or request a particular party or personal interests, so the higher level of objectivity of the auditor, the better the quality of audits.

Pusdiklatwas BPKP (2005), claimed objectivity as an independent person's subjective view of the influence of other parties concerned, so as to provide opinion according to what it is. Behavioral components that can support the objective include (1) reliable and credible, (2) does not act as the tender committee, other committees and or other work which is the object of the operational tasks examined, (3) Not leave the task with the intention to find fault others, (4) can maintain the criteria and official policies, and (5) the act or make decisions based on logical thinking.

Financial relationship with a client may affect the objectivity and can lead to a third party auditor to conclude that objectivity is not can be maintained. With the existence of financial interests, a clear audit concerned with the examination report is issued. General standards APIP Auditing Standards state that the principle of objectivity requires that auditors perform the audit to be honest and not compromising quality. In other words, the higher the level of objectivity auditor, the better the quality of the examination.

## 2.10 Work Experience

According Loehoer (2002), experience is accumulation combined of all acquired through the deal and interact repeatedly with each object of nature, circumstances, ideas, and sensing. To make audit judgments, experience is an important component of auditing expertise and is a factor that greatly affects the complexity of judgments.

Inexperienced auditors will perform error attribution much greater than that experienced auditors, so that it can affect the quality of audits (Nataline, 2007). According to Libby and Trotman in *Maksi Journal* Vol. 1 (2002: 5), a professional auditor should have sufficient experience of the duties and responsibilities. Auditor experience would be a good consideration in taking decisions on the duties.

In accordance with general standards in the Public Accountants Professional Standards that the auditor is required to have enough work experience in the profession is practiced, and are required to meet the technical qualifications and experience in the industry that his client was involved (Arens et al., 2004). Public accounting experience will continue to increase along with the number of audits performed and the complexity of financial transactions companies audited so that it will add to and expand knowledge in the fields of accounting and auditing (Christiawan 2002). This indicates that the longer the period of employment and experience of the auditor and the better it will also increase the resulting audit quality (Alim et al., 2007). The research results conduct by Herliansyah et al. (2006) showed that experience did not reduce the

impact of information relevant to the auditor's judgment. Kidwell et al. (1987) in Budi et al. (2004) found that managers with longer work experience have a positive relationship with ethical decision-making. Different with research conducted by Budi et al. (2004) that the work experience has no influence on the professional commitment and decision-ethical decisions.

Choo and Trotman (1991) provide empirical evidence that more experienced auditors find items that are not common (atypical) than less experienced auditors, but the experienced auditors with less experience do not differ in finding items that are common (typical). A similar study conducted by Tubbs (1992), showed that subjects who have more experience auditing, it will find more errors and mistakes items larger than the auditor who experience fewer audit. Abdolmohammadi and Wright (1987) research result provide empirical evidence that the auditor will experience a significant impact when considering the complexity of the task.

## **2.11 Competence**

*The first statement in SPKN common standard is: "Examining collectively must have adequate professional proficiency to perform inspection tasks".* With this Statement of Financial Inspection, all inspector organizations responsible for ensuring that any investigation conducted by the inspectors, who collectively have the knowledge, expertise, and experience necessary to carry out the task. Therefore, examiner organizations must have recruitment procedures, appointment, sustainable development, and evaluation of the examiner to assist organizations in maintaining the examiner that has sufficient competence.



Webster's Ninth New Collegiate Dictionary (1983) in Sri Lastanti (2005) defines competence as the skill of an expert. Which the expert is defined as someone who has a particular skill or high knowledge level in certain subjects that obtained from the training and experience. While Trotter (1986) in Saifuddin (2004) defines that a competent person is person with the skills he/she owned that can make they do the job easily, fast, intuitive and very rarely or never make mistakes.

Lee and Stone (1995), defines competence as the considerable expertise that can be used to explicitly perform the audit objectively. While Bedard (1986) in Sri Lastanti (2005) defines competence as an expert or someone who has knowledge and extensive procedural skills indicated in the audit experience.

Based on the above research, it can be concluded that the competence of auditors is the knowledge, skills, and experience required auditors to perform audits in an objective, careful and thorough. Hayes-Roth defines expertise as knowledge of a particular environment, an understanding of the issues arising from the environment, and skills to solve problems (Mayangsari, 2003).

In the APIP audit standard, mentioned that audit should be carried out by people who have sufficient expertise and technical training as an auditor. Thus, the auditor has not met the requirements if he does not have adequate education and experience in the field of audit. In a government audit, the auditor is required to have and increase the capability or expertise not only in audit methods and techniques, but all matters relating to governance such as the organization, functions, programs, and activities of government.

In appendix 2 SPKN stated that:

"Examiner assigned to conduct the examination according to the examination standard should collectively possess: Knowledge of the Examination Standards which can be applied to types of examination assigned and have the educational background, expertise and experience to apply such knowledge in the examination performed; general knowledge about environmental entities, programs, and activities were examined (the object of inspection) "(paragraph 10) and

"Examiner who carried out audits should have expertise in accounting and auditing, as well as the understanding of generally accepted accounting principles relating to the entity under investigation" (paragraph 11).

Competencies required in the audit process are not only a mastery of accounting and auditing standards, but also mastery of the audit object. In addition to the above two things, there is not a program or process improvement expertise can be used as indicators to measure the level of competence of auditors.

Kartika Widhi (2006) in Elfarini (2007) stated that knowledge has a significant effect on audit quality. Research conducted by Tan and Alison (1999), proving that knowledge can affect the accountability relationship with the quality of the auditors work if the complexity of work faced by moderate / medium. The

SPAP 2001 on common standards, explain that in conducting the audit, the auditor should have the expertise and sufficient knowledge structures.

As in general, there are 5 knowledge that must be owned by an auditor (Kusharyanti, 2003), namely: (1) Knowledge of public auditing, (2) Knowledge of functional areas, (3) Knowledge of issues The most recent accounting issues, (4) Knowledge of specific industries, (5) Knowledge of general business and problem solving. According to Brown and Stanner (1983) in Mardisar and Sari (2007), the difference between the auditor's knowledge will affect the way auditors complete a job.

According to Brown and Stanner (1983), differences in knowledge between the auditors will affect the way auditors complete a job. Further explain that an auditor will be able to get the do the job effectively if supported by knowledge. Error is defined by how much of a difference (deviation) between the policies of the company on the accounting records with standardized criteria.

In detecting an error, an auditor must be supported by knowledge about what and how the error occurred (Tubbs 1992). In general, an auditor must have knowledge of the General Auditing, Functional Area, Computer Auditing, Accounting Issues, Industry Specific, General World knowledge, and problem solving knowledge (Bedard & Michelene 1993).

Cloyd (1997) found that the amount of effort (a proxy of the accountability variable) are devoted person to complete a job varies according to the level of knowledge. Cloyd (1997) also found that the level of knowledge one can improve the quality of the work.

Spilker (1995) revealed that the characteristics of a work such as the complexity and amount of information presented are affecting the relationship of knowledge, accountability and the quality of the work. On a more modest work effort factor can replace a person's level of knowledge (are substitutes) and knowledge have a positive relationship to quality of the work. Whereas for more complicated work, accountability is no longer with the substitution of one's own knowledge.

Research of Cloyd (1997) also proves that accountability can improve the quality of the work of auditors if they are supported by the knowledge audit is high. Tan and Alison (1999) conducted a study similar to Cloyd (1997) and proved that knowledge to strengthen the accountability relationship with the quality of the work if the complexity of work faced by moderate / high. To work with low complexity of accountability and knowledge and their interactions do not have a significant influence on the quality of the work. As for the high complexity of work, accountability can improve the quality of the work if it is supported by the knowledge and problem solving ability is high.

## **2.12 Integrity**

Integrity is an element of character that underlies the emergence of professional recognition. Integrity can receive unintentional error and honest differences of opinion, but can accept the principle of fraud or rescission (Mulyadi, 2002). Integrity is the underlying quality of the public trust and a benchmark for members to test all decisions. Integrity requires an auditor to be honest and transparent, bold, prudent and responsible in carrying out



the audit. The four elements are needed to build trust and provide the basis for a reliable decision making (Pusdiklatwas BPKP, 2005).

Sunarto (2003) in Sukriah, Akram and Inapty (2009), stated that integrity can receive unintentional error and honest differences of opinion, but can not accept the principle of fraud. Research conducted Sukriah, Akram and Inapty (2009) examined the effect of audit quality and integrity of the results was not significant.

Alim et al (2007) states that audit quality can be achieved if auditors have a good competence and research results found that the competence effect on audit quality. Auditor as a tip spearhead the implementation of audit duties must constantly improve the knowledge of has held that the application of knowledge to the maximum in practice. With high integrity, the auditor may improve the quality of the examination (Pusdiklatwas BPKP, 2005).

### **2.13 Overview of Previous Research**

To support this research, the writer also uses the information from other researcher. There are several previous researches about Audit Quality in Local Government.

Alim et al (2007) conducted a study of quality audits performed by auditors in Public Accountants Firms in East Java. Research variables are used, namely; competence and independence as an independent variable, audit quality as the dependent variable, and the ethics of auditors as a moderating variable.

From this study, it was found that the independence and competence of auditors has significant effect on audit quality.

Mayangsari (2003) who conducted research on the relationship between independent auditors with audit opinion concluded that; the independent auditors give an appropriate opinion rather than the auditor that is not independent. While Samelson et al (2006) found that auditor independence is not significant to the audit quality. There are 5 KAP that do not approve the auditee's demand for audit adjusting by the desire of the auditees, even the auditees pay in higher costs.

Supriyono (1988) examined the factors that affect the appearance of independence of public accountants. It is known that the engage of financial interests and business relationships with clients, other services other than audit services, the length of the relationship between public accountant to audit clients, competition among KAP, KAP size and audit fees significantly affect the appearance of independence of public accountants.

Sukriah et al (2009) who conducted a study on the influence of work experience, independence, objectivity, and competency of audit results quality. From the results of these studies showed that auditor experience, competence and objectivity of the auditor, affect the quality of the results of the audit. However, this study also showed that the independence and integrity have no effect on audit quality.

The research described above provide ideas for author to understand how audit quality influence by several variable, such as; independence, work

experience, objectivity, competence and ethics. It also gives more insight to the author about the method and analysis conducted.

The author uses the comparison of previous studies are intended to be used as a comparison because of some similarities in the research and several variable used and compares the result of previous research studies have been done.

However, although the variables in this research are similar with the previous research, the method used by author in this research is different with the previous research. Where author used qualitative method, while the previous research used quantitative method that use software SPSS for windows to analyze the data. Therefore, this research gives different result because the method of both research are not similar.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

The approach used in this study is a qualitative approach and case study method. Qualitative approach is research approach that uses data in the form of sentences written or verbal, behavioral, phenomena, events, knowledge or the object of study (Bogdan and Taylor in Moleong 1990). Use of case study method is intended to research more concentrated and provides a more in depth about the subject or the object of research. A type of case studies used in this thesis is a descriptive case study. This descriptive case study aimed to describe the state of the object or problem in research.

##### **3.1.1 Scope of Research**

In relation to the focus taken in this study, author took the study boundaries as follows:

1. Type of activity being research is the activity that doing in Inspectorate of West Sumatera office.
2. Research focuses on how the audit in local government done by Inspectorate of West Sumatera Province in ensuring that all actions taken by the auditor in accordance with the procedures.



### 3.1.2 The Case Study Method

Yin (2003) provides the technical definition of a case study as follows:

Case study is an empirical inquiry that:

1. Investigate a contemporary phenomenon within its real-life context, especially when
2. The boundaries between phenomenon and context are not clearly evident.

According to Yin (2003), the case studies is a suitable strategy when the principal questions of a study regarding the question how or why, if the researcher had little opportunity to control the events that will be investigated, and where the research focus lies in the contemporary phenomenon in real life.

The author is guided by the concept of Yin's case study by the following reasons:

1. Relationship between the focus that occurs more appropriate when the analysis using a case study, because attempts to give an actual picture of the phenomenon at hand.
2. Facilitate the author looked at the problem as a particular object that must be examined in greater detail and depth (holistic).
3. Used as a multi-source research materials, not only in the form of documents but also the result of observation and interviews.

4. Formulation of the problem has been in accordance with the definition provided Yin that the case study approach is a strategy used to answer how and why type questions in the formulation of the problem.
5. Author has little opportunity to control events that will be investigated, and the focus of his research lies in the contemporary phenomenon (the present) within the context of real life.

### **3.1.3 Case Study Research Design**

Research design is a logical arrangement that tried to connect the empirical data with the initial research questions, especially the conclusions. A case study using the five components of research design, presented as follows in accordance with the formulation of the problem in this paper:

1. Research questions, clarification questions for the case study strategy are as follows:
  - a. How the audit processes that has been applied in Inspectorate of West Sumatera Province?
  - b. How the reporting process in Inspectorate of West Sumatera Province?
  - c. How the audit conducted by auditor accordance to Standard Operational Procedures Inspectorate of West Sumatera Province.

2. Research propositions

Factors influence audit quality in Inspectorate of West Sumatera Province.

3. The units of analysis

The units of analysis in this research are the application and implementation of audit in Inspectorate of West Sumatera Province.

4. The logic linking the data with the proposition

a. Data obtained on the implementation of audit in Inspectorate of West Sumatera Province that will be the unit of analysis.

b. The guidance of Standard Operational Procedures data and interview results are preliminary data for analysis.

5. Criteria to interpret findings.

The findings will be analyzed with concepts and theories relevant to the concept of local government internal audit in Inspectorate of West Sumatera Province in order to get the best explanation for the situation that occurred.

### **3.2 Type and Source of Data**

This study did not use the sample because of the object under study or data obtained from only one company. Types of data used in this study are qualitative data which data that is not expressed with numbers.

While the sources of the necessary data from the objects under this study are:

1. Primary data is data obtained directly from the companies concerned, where the data obtained from direct observation, interviews, and documentation.
2. Secondary data is a data obtained from the theory books and literature and data in the form of documents or reports from related parties and can relied upon to provide new considerations for the local government (inspectorate) from the findings.

### **3.3 Data Gathering Method**

In order to analyze the problems faced in this writing we need a set of relevant data that could give a description of the condition to be investigated. For this data collection method in this research is:

1. Preliminary Observation

*First step is to conduct direct surveys on Inspectorate of West Sumatera with the aim to obtain a general picture of the situation and condition of the company relating to the matter to be investigated in this thesis.*

2. Field Survey
  - a. Interview



That is the way of collecting data by conducting question and answer directly with interested parties. In this case Inspectorate of West Sumatera Province.

Interview type that used by author:

- Semi-Structured Interview

- ✓ A key feature of the semi-structured interview is in the partial pre-planning of the questions.
- ✓ Semi-structured interviews still allow for replication of the interview with others, but are being less controlled.
- ✓ Semi-structured interviews may be conducted in various modes: face-to-face, by telephone and videophone, but face-to face is probably best.
- ✓ A great deal of qualitative research (grounded theory, thematic analysis, etc) uses semi-structured interview material).

- Advantages of Semi-Structure Interview

- ✓ Standardization of at least some of the questions increases data reliability.
- ✓ Replication possible.

- ✓ Ability to ask some spontaneous questions are sensitive to participants needs to express themselves.
- ✓ It also may provide a more relaxed atmosphere in which to collect information—people may feel more comfortable having a conversation with author as opposed to filling out a survey.

Interview conducted by author was done with participation by respondent, that are consists of Auditor personnel (5 person) and P2UPD personnel (5 person). So, totally author interviewed 10 persons in Inspectorate of West Sumatera Province.

#### b. Documentation

Documentation is a way of collecting data by looking at data and documentation on the object being studied and recorded for purposes related to the issues being investigated

### 3. Literature Study

Namely how to obtain data by reading literature related to the problem so it can be a theoretical basis to solve the problem.

**Table 3.1****Data Gathering Method**

Research Questions	Data Gathering Method		
	Interview	Documentation	Literature Study
1. How the audit processes that has been applied in Inspectorate of West Sumatera Province?			
2. How the reporting process in Inspectorate of West Sumatera Province?			
3. How the audit conducted by auditor accordance to Standard Operational Procedures Inspectorate of West Sumatera Province.			

**3.4 Data Analysis Method**

This research is design to compare reality applied on the field with theory and regulation related with the problems, so it can produce conclusion suggestion. The purpose is to describe and evaluate implementation of concept research object.

Explanation about the factors influence the audit quality in Inspectorate of West Sumatera Province comes from the result of elaborating applied theory with implementation in the field. Then, the author tries to analyze the factors influence the audit quality in Inspectorate of West Sumatera Province, and also compare it with some research findings.

## **CHAPTER IV**

### **DATA ANALYSIS AND DISCUSSION**

#### **4.1 Inspectorate of West Sumatera Profile**

##### **4.1.1 History of Inspectorate of West Sumatera**

Provincial Regional Inspectorate, that's the first time the history of nomenclature established by the Government to control functional government officials in the province throughout Indonesia, including in West Sumatera. Provincial Regional Inspectorate formed the first time by the Minister of Home Affairs No. 226 of 1975 concerning organizational structure and working of Provincial Regional Inspectorate. Provincial Regional Inspectorate headed by a chief, whose position in tactical operations under the governor, while technically under the administrative guidance of the Minister of Home Affairs. At that time, the employees were employees of the autonomous region and center employees were "assigned" to the region. For the first time, The West Sumatera Regional Inspectorate led by Mr. Amir Thaib, SH.

Then with consideration of the increasing implementation of development and implementation of regional governance, the structure of the organization and functioning of the Provincial Regional Inspectorate refined and nomenclature was changed to the Provincial Inspectorate (the word "regional" omitted). Provincial Inspectorate was formed by the Minister of Home Affairs Decree no. 219 year 1979 on Organization and Administration of Provincial Inspectorate. His position



is more emphasized as the general supervision directly under and responsible to the Governor in his capacity as the Head of the Provincial. Provincial Inspectorate headed by a chief, who at the time of the structure change of the Chief Inspectorate of West Sumatera still continued by Mr. Amir Thaib, SH until 1981.

Starting in 1981 the Provincial Inspectorate officials already appointed specially by the Minister of the Home Affair called the employees "employed", so that there are 3 types of employees who placed in Provincial Inspectorate, that are: local employees, assigned center employees (DPB) and hired center employees (DPK). For DPK type employees, the salary and benefits paid by the state budget (APBN), while local officials and DPB employees financed with local budget (APBD).

Then in 1981 the Chief West Sumatera Inspectorate replaced by Drs. H. Arifin Kasim (Former Head Finance Office of Region Secretariat of West Sumatera). He became head of the Provincial Inspectorate for 6 years until 1987. Then in 1987 until 1989 head of the West Sumatera Provincial Inspectorate held by Drs. Abrar (Former Pesisir Selatan Regent). Furthermore, in 1989 the Chief of West Sumatera Inspectorate replaced with Drs. H. A. Latif Shah, SH (Former Head of the Finance Department in Ministry of Home Affair).

In 1991, another change occurred in Organizational Structure and Governance Working of Provincial Inspectorate, established by the Minister of Home Affairs No. 110 year 1991 on the Organization and Work of Provincial Inspectorate. In accordance with the Decree of the Minister of Home Affair, the position of the Provincial Inspectorate is functional tactical control apparatus

operating under and responsible to the Governor while administratively under the technical guidance of the Minister of the Home Affair. As per the decision of the Minister of Home Affairs, Provincial Inspectorate headed by a Chief, daily called by Provincial Inspector. Despite these organizational changes, the head of the West Sumatera Provincial Inspectorate was instituted followed by Drs. H. A. Latif Shah, SH until 1994.

Furthermore, Drs. H. A. Latif Shah, SH drawn to the General Inspectorate of the Department of Home Affair, and he was replaced by Drs. H. M. Achjarli Abdul Djalil, SH (Former Mayor of Padang Panjang city) until 1998. Then in 1998 to 2000, Chief of the West Sumatera Provincial Inspectorate held by Drs. H. Basril Thaher (Former Chief of Mining Department of West Sumatera) has previously been a Chief of Agam Inspectorate District. Then since August 21, 2000 Chief Inspectorate West Sumatera Province handed over to Mr. Nasri Nasar, SH (Former Chief of Education and Culture Department of West Sumatera), which has previously been Secretary of the Pesisir Selatan District.

Along with the passing of reforms in governance, especially in the implementation of regional autonomy, which refers to the Law No. 22 Year 1999 on Regional Government, so if previously the organization and administration of the Provincial Inspectorate regulated by Decree of the Minister of the Home Affair, after the enactment of Law No. 22 of 1999, which started in 2001, Organization and Administration of Provincial Inspectorate is regulated by the Regional Government as stipulated in Government Regulation No. 84 Year 2000 on Guidelines for the regional organization. Accordingly, the Provincial Inspectorate changed the nomenclature to the Regional Board of Supervisors

established in West Sumatera Provincial Regulation No. 6 of 2001 on the Establishment of Organization and Agency Work / Regional Office of West Sumatera province. Provincial Supervisory Board, in its capacity supporting element in provincial oversight, led by a chief who is under and responsible to the Governor through the Regional Secretary. For the first time in the autonomous region, Chief of Supervisory Agency of West Sumatera province, still held by Mr. Nasri Nasar, SH until his retirement on July 21, 2002. After regional autonomy, all employees over the status to region employee, so it's no longer known employee DPK and DPB.

Then, since 2002 the leadership of Board of Supervisors of West Sumatera province followed by Drs. H.O.S. Yerli Asir, daily called Pak Adek (Former Secretary of Pesisir Selatan District) began on July 22, 2002 until April, 11 2005. Furthermore, Chief of Supervisory Agency of West Sumatera province occupied by Mr. H. Daniwar Djalil, SH (Former Assistant III Social Welfare in Region Secretariat of West Sumatera) which had previously been an Inspector Assistant in West Sumatera Provincial Inspectorate. Mr. H. Daniwar Djalil, SH, served until he retired in 2007. Then begin August 24, 2007 until October 24, 2008, Chief of Supervisory Agency of West Sumatera province was replaced by Mr. H. Jayadisman, SH (Former Chief of law department in Region Secretariat of West Sumatera) which previously had become chief of the Mentawai Islands District Supervisors, and has long career in the West Sumatera Provincial Inspectorate, began in 1983 as a candidate for Civil Servants, then after a full civil servant, he drawn as examiner, went on to become Head of Sub Division and Reporting Program and subsequently became one of the Inspector Assistant at the Regional



Inspectorate of West Sumatera province. Mr. H. Jayadisman SH is one of DPK employee in West Sumatera Provincial Inspectorate that appointed as Chief of Provincial Supervisory Board.

Along with the change of regional autonomy paradigm referred to Law No. 22 of 1999, namely the Law Number 32 Year 2004 on Regional Government, based on the consideration and input from various stakeholders, the nomenclature of the Regional Supervisory Agency returned again to the Inspectorate, formation determined by the regional regulation as stipulated in Government Regulation Number 41 Year 2007 regarding Regional Organization. Under these provisions, in line with changes in the organization of other areas in West Sumatera, the Organization and Administration of Inspectorate West Sumatera Province established by Regional Regulation No. 3 of 2008 on the Establishment of Inspectorate Organization and Work, Regional Planning Agency and the Provincial Technical Institute of West Sumatera. Based on the law the position of Provincial Inspectorate is a support element in regional governance, and explicitly stated that the Provincial Inspectorate headed by an Inspector under and responsible directly to the Governor and administrative technically receive guidance from the Regional Secretary. Mr. H. Erizal, SH (Former Head of Law Department of Region Secretariat of West Sumatera) as first Inspector of West Sumatera province by law No. 3 of 2008 is which was inaugurated on August 24, 2008. Previously, he was also has a long career in the West Sumatera Provincial Inspectorate and the Inspectorate Regional of Padang Panjang. He had ever become Secretary of the Board of Supervisors of West Sumatera province, became examiner and Assistant Inspector in the West Sumatera Provincial



Inspectorate and also served as Deputy Chief of Regional Revenue Office of West Sumatera province. As when author write this profile, Mr. H. Erizal, SH still serving as Inspector of West Sumatera Province.

Table 4.1 Summary of History on Inspectorate of West Sumatera Province

No	Year	Head of Inspectorate	Name of Inspectorate	Information
1	1975-1979	Amir Thaib, SH	Inspektorat Wilayah Daerah Propinsi	Establishing of Inspectorate (Kepmendagri No 226 of 1975)
2	1979-1981	Amir Thaib, SH	Inspektorat Wilayah Propinsi	Changing the name of Inspectorate (Kepmendagri No. 219 of 1979)
3	1981-1987	Drs. H. Arifin Kasim	Inspektorat Wilayah Propinsi	Changing the Head of Inspectorate
4	1987-1989	Drs. Abrar	Inspektorat Wilayah Propinsi	Changing the Head of Inspectorate
5	1989-1991	Drs. H. A. Latief Shah, SH	Inspektorat Wilayah Propinsi	Changing the Head of Inspectorate
6	1991-1994	Drs. H. A. Latief Shah, SH	Inspektorat Wilayah Propinsi	Changing in Organization and Working of Inspectorate (Kepmendagri No. 110 of 1991)
7	1994-1998	Drs. H.M. Achjarli Abdul Djalil	Inspektorat Wilayah Propinsi	Changing the Head of Inspectorate
8	1998-2000	Drs. H. Basril Thaher	Inspektorat Wilayah Propinsi	Changing the Head of Inspectorate
9	2000-2001	Nasri Nasar, SH	Inspektorat Wilayah Propinsi	Changing the Head of Inspectorate
10	2001-2002	Nasri Nasar, SH	Badan Pengawas Daerah	Changing the name of Inspectorate (Perda No. 6 of 2001)
11	2002-2005	Drs. H.O.S Yerli Asir	Badan Pengawas Daerah	Changing the Head of Inspectorate
12	2005-2007	H. Daniwar Djalil, SH	Badan Pengawas Daerah	Changing the Head of Inspectorate
13	2007-2008	H. Jayadisma, SH	Badan Pengawas Daerah	Changing in Head of Inspectorate

14	2008 - Now	H. Erizal, SH	Inspektorat Provinsi	Changing in the Head of Inspectorate and The name of Inspectorate (Perda No. 3 of 2008)
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#### **4.1.2 Vision and mission**

##### **4.1.2.1 Vision**

Vision is related foresight regarding where government agencies must be taken and directed to work consistently and continue to exist, anticipatory, innovative and productive purposes in accordance President Instruction No. 7 of 1999 concerning the Government Performance Accountability.

Vision of Inspectorate of West Sumatera province is "Being a professional and dignified supervisor to achieve good and clean governance in West Sumatera Province".

In qualitative, the Vision of Inspectorate of West Sumatera Province can be described:

- Supervisors are internal government supervisory apparatus, established under the West Sumatera Provincial Regulation No. 03 Year 2008 on the Establishment of Organization and Work of Inspectorate, Regional Development Planning Board and technical institutes of West Sumatera Province.
- Professionals are internal government supervisory apparatus, who have the ability and skills, independence and wisdom in carrying out their duties according to the rule of law, religion, science and experience as well as

sticking to supervisor professional ethics, have self control and quality oriented performance through efficient way of working and effective, and has a high sensitivity to the interests of society and social problems.

- Dignity is the Intern Government officials have human dignity and self-esteem, can be built with good behavior and achievement that raises the respect (prestige) as personal benefit. Internal government supervisory apparatus should be able to maintain the reputation and authority of the organization.
- Good Governance is government that implements and uphold the principles of good governance, run the best practices and indigenous governance. The principles of good governance, such as; transparency, participation, accountability, rule of law, fairness, responsiveness, effectiveness and efficiency, equality, control, and forward-looking.
- Clean Government is a government that is free from corruption, collusion and nepotism.

#### **4.1.2.2 Mission**

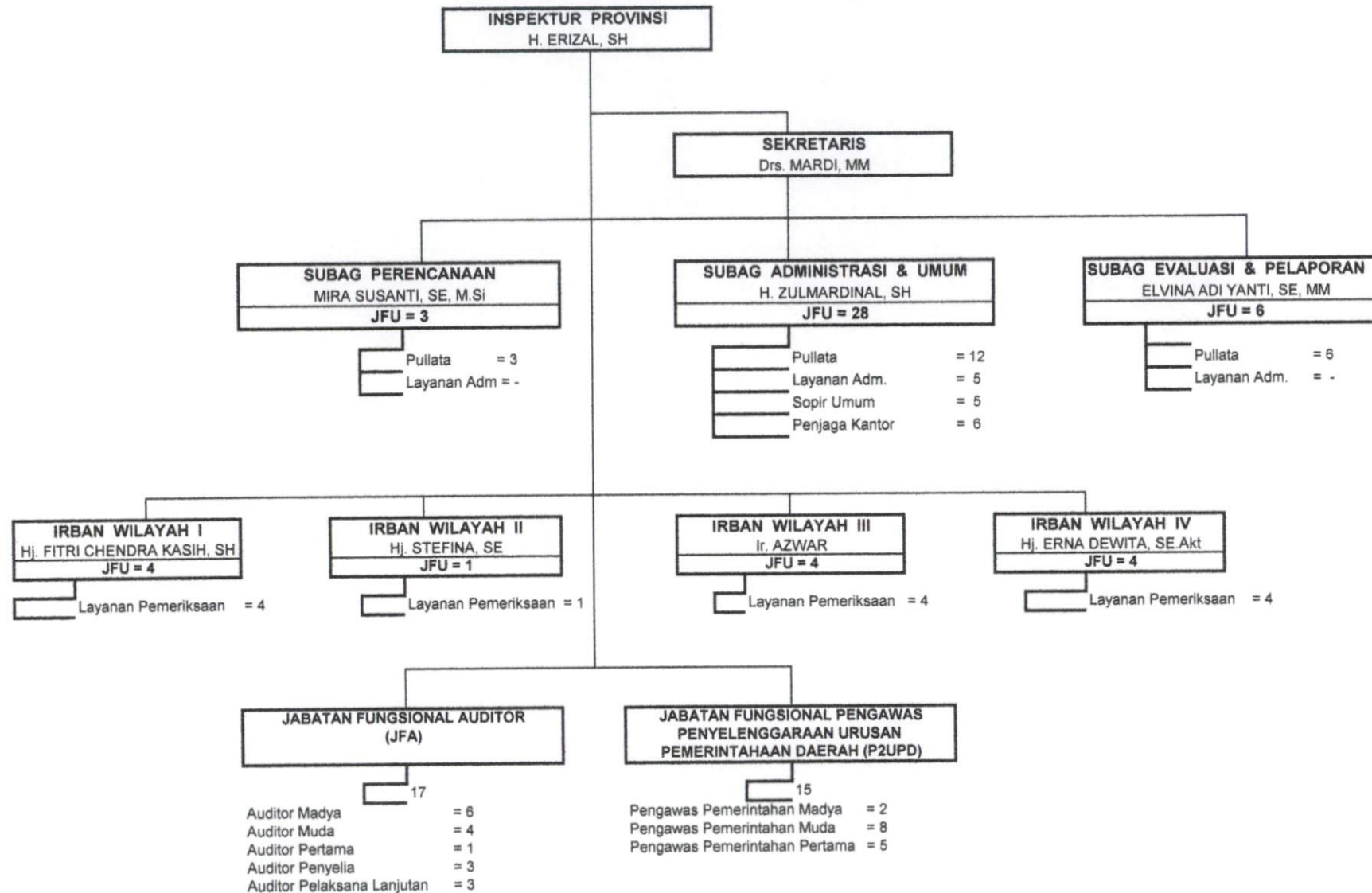
Mission is something that must be carried out by government agencies as a translation of the vision that has been set. The mission of the organization in accordance with the duties and functions related to the authority of the organization.

The mission of the Inspectorate of West Sumatera Province is as follows:

1. Enhance the role and quality of supervisory as effectively and efficiently in local governance.
2. Preventing waste, leakage, irregularities, abuse of authority in order to create good governance, clean and accountable.
3. Encourage the implementation of the internal control system at all Department/Unit (*Satuan Kerja Perangkat Daerah - SKPD*) in the West Sumatera Provincial Government.
4. Enhance professional surveillance apparatus.



# **ORGANIZATION STRUCTURE INSPECTORATE OF WEST SUMATERA PROVINCE**



#### 4.1.4 Main Tasks and Functions

Based on the West Sumatera Provincial Regulation No. 03 Year 2008 on the Establishment, Organization and Administration of the Inspectorate, the Regional Development Planning Board and technical institutes regions of West Sumatera province, which was published in the Gazette of West Sumatera Province 2008 Number 3, **main tasks and functions of the Provincial Inspectorate of West Sumatera is "Supervising the implementation of government affairs in the province, supervising the implementation on the regional administration region/city, and the implementation of government affairs at the region/city".**

Inspectorate of West Sumatera province as Internal Officials Supervisor of West Sumatera Province in carrying out their duties and functions, doing the supervisory with appropriate functions and authority, those are:

- a) Supervision Planning Program
- b) *Policy formulation and facilitation of supervision*
- c) Examination, investigation, testing and assessment of supervisory duties

To carry out the functions, West Sumatera Provincial Inspectorate has the following authority:

- a) Examination of the expiration of the term in regional heads period
- b) *Periodic inspection or any time, and integrated examination*

- c) Testing of the periodic report and / or any time from the unit / work units.
- d) Investigation for the accuracy of irregularities indications reports, corruption, collusion and nepotism
- e) An assessment of the benefits and success of policies, implementation of programs and activities
- f) Monitoring and evaluation of the implementation of government affairs at the local and village government

#### **4.1.5 Legal Basis**

Inspectorate of West Sumatera Province has legal basis that's can apply as references in order to doing their duties. And the legal basis that's used by Inspectorate of West Sumatera Province has stated below:

- 1) Law No. 61 Year 1958, on the Determination of Emergency Law No. 19 Year 1957 on the establishment of the Autonomous Regions West Sumatera, Jambi and Riau into Act (State Gazette Year 1958 No. 112) Jo, Government Regulation No. 29 year 1979;
- 2) Law No. 28 year 1999 and Law No. 31 Year 2001 on the Eradication of Poverty and corruption. The practice of corruption, collusion and nepotism committed by Government Officials that adverse State Finance and Local

Finance, the Economy and inhibit the development that must be eradicated.

3) Law No. 17 of 2003 on State Finance (State Gazette of 2003 No. 47, Additional State Gazette No. 4286);

4) Law No. 1 of 2004, concerning the State Treasury, which suggests the role and function of supervision by the Financial Supervisory Agency of Indonesia and Supervision Inherent in stages, so that the responsibility for State and Local Losses can be carried through Indemnity Claims or Demands of Treasury .

5) Law No. 32 of 2004, concerning Regional Government (State Gazette of 2004 Number 125, Additional State Gazette No. 4437), as amended by Act No. 8 of 2005 concerning Stipulation of Government Regulation in lieu of Law No. 3 of 2005 on Amendment Act No. 32 of 2004 on Regional Government become a Act;

6) Law No. 33 of 2004, on Financial Balance between Central and Regional Government (State Gazette of 2004 Number 126, Additional State Gazette No. 4438);

7) Law No. 31 Year 2005 on Combating Corruption and Presidential Decree No. 5 of 2004 on the Acceleration of combating corruption

8) Government Regulation Number 58 Year 2005 on Regional Financial Management (State Gazette Year 2005 Number 140, Additional State Gazette No. 4578);



- 9) Government Regulation No. 79 Year 2005 on Guidelines for the Development and Control of Regional Government;
- 10) Government Regulation Number 38 Year 2007 concerning Affairs between the Government, Provincial Government and District / City (State Gazette of 2007 Number 82, Additional State Gazette No. 4737);
- 11) Permendagri No. 23 of 2007 on Guidelines for Supervision of the Implementation Procedures for Local Government.
- 12) Permendagri No. 24 of 2007 on Guidelines for Examination in the Context of Regional Head Occupation Period.
- 13) Permendagri No. 25 of 2007 on Guidelines for Public Complaints Handling in the Department of Home Affair and Local Government.
- 14) Permendagri No. 28 of 2007 on the Supervision Norm and Code of Ethics of Government Supervision Officials
- 15) Permendagri No. 57 of 2007 on Technical Guidelines for structuring the regional organization
16. Decree of the Minister of Home Affairs No. 17 of 2001, concerning Delegation Regional Government Functional Supervision to the Governor.
17. Perdaprov of West Sumatera Province No. 3 of 2008 on the establishment of the Organization and Work Inspectorate, Regional Planning Agency and the Regional Technical Institute of West Sumatera Province.

## **4.2 Description of the Research**

### **4.2.1 Standard Operational Procedure in Inspectorate of West Sumatera Province**

#### **4.2.1.1 Regular Inspection Procedures in Inspectorate West Sumatera Province**

In the regular examination conducted by the Inspectorate, previously the preparation of PKPT (*Program Kerja Pemeriksaan Tahunan* - Annual Inspection Program) is already done, which is done in a coordination meeting involving all parties concerned. After PKPT completed, it have to be approved by the Governor to implement. After the Governor approved PKPT, then inspector will inform the PKPT and transfer the approved PKPT to the Secretary of Inspectorate of West Sumatera Province.

Furthermore, the Secretary began to distribute PKPT to the Irbanwil (*Inspektur Pembantu Wilayah* - Regional Inspector Assistant) related. And based on these PKPT, Irbanwil assembled a team that will perform by creating the official memorandum, which will be approved by the Inspector. The inspector will give approval to official memorandum submitted by the Irbanwil, after coordination with the Secretary and Subag Evlap (*Sub Bagian Evaluasi Laporan* – Report Evaluation Department), and provide assignment letter disposition making to Subag Umum (*Sub Bagian Umum*).

Furthermore, Subag Umum will receive a disposition of official memorandum from Inspector through the secretary, to further make the Draft

Letter of Assignment. After Draft of Assignment Letter (*Draft Nota Dinas*) completely done by Subag Umum, it will be submitted to the Secretary to be initialed and proceed to the Inspector for approval. Then, after the inspector signed the Letter of Assignment (*Nota Dinas*), the letter would be returned to Subag Umum, and then Subag Umum will forward the letter to the Irbanwil.

After receiving the Letter of Assignment (*Nota Dinas*), then Irbanwil assign the team that already formed to conduct an inspection to related SKPD. In this process, its will need some attribute such as Inspection Working Program and Inspection Working Paper. And after the inspection completed, the audit team will make NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*).

The next step is to make a report and presentation of the result. In this step, NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*) that have been made, will be evaluated and corrected, which will be done in front of all Irbanwil. After that, there will be a response and improvements that will be recommended by each Irbanwil. Furthermore, after the NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*) is corrected by referring to the recommendation Irbanwil, the NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*) has changed status to Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*).

The Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*) then will be submitted to Subag Evlap (*Sub Bagian Evaluasi Laporan – Report Evaluation Department*), to be corrected again. After the Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*) corrected by

Subag Evlap (*Sub Bagian Evaluasi Laporan* – Report Evaluation Department) then it will be submitted to the Secretary to be initialed. After that, the Draft LHP (*Draft Laporan Hasil Pemeriksaan* - Draft Report of Inspection) will be submitted to the Inspector for approval, and at this step Draft LHP (*Draft Laporan Hasil Pemeriksaan* - Draft Report of Inspection) will change the status to LHP (*Laporan Hasil Pemeriksaan* - Report of Inspection). After that, the LHP (*Laporan Hasil Pemeriksaan* - Report of Inspection) will be handed back to the Secretary to be reproduced and distributed to related SKPD (*Satuan Kerja Perangkat Daerah* – Department/Unit), and submitted also to Irbanwil as archive.



Uraian Prosedur		Pelaksana					Mutu Baku			Ket	
		Inspektur	Sekretaris	Irbanwil	Kasubag Perencanaan	Kasubag Umum	Kasubag Evlap	Kelengkapan	Waktu		Output
Pemeriksaan reguler di Lingkungan Pemerintah Sumatera Barat											
1	Inspektur menginformasikan bahwa PKPT telah disetujui Gubernur dan diberikan ke Sekretaris							PKPT	1 Hari		
2	Sekretaris mendistribusikan PKPT ke Irban terkait							PKPT	1 Hari		
3	Berdasarkan PKPT tersebut Irbanwil menyusun tim yang akan melakukan pemeriksaan dengan membuat nota dinas meminta persetujuan Inspektur							Lembar Disposisi	15 Menit	Lembar Disposisi	
4	Memberikan persejuaan setelah berkoordinasi dengan sekretaris dan subag evlap dan memberikan disposisi untuk pembuatan Surat Tugas ke Subag Umum							Lembar Disposisi	15 Menit	Lembar Disposisi	
5	Subag umum menerima nota dinas yang telah didisposisi inspektur, sekretaris dan membuat draf surat tugas							Lembar Disposisi	1 Hari	Draft ST	
6	Menerima dan memaraf draf surat tugas untuk selanjutnya persetujuan/tandatangan surat tugas ke Inspektur							Draft ST	1 Hari	Draft ST	
7	Inspektur menandatangani surat tugas tersebut dan menyerahkan ke subag umum							ST	1 Hari	ST	

Uraian Prosedur		Pelaksana					Mutu Baku			Ket	
		Inspektur	Sekretaris	Irbanwil	Kasubag Perencanaan	Kasubag Umum	Kasubag Evlap	Kelengkapan	Waktu		Output
Pemeriksaan reguler di Lingkungan Pemerintah Sumatera Barat											
8	Subag Umum menyerahkan ST ke Irbanwil					<div>A</div>		ST	10 menit	ST	
9	Melakukan pemeriksaan sesuai dengan ST							- Program kerja pemeriksaan - Kertas kerja pemeriksaan	10 hari	- NHP	
10	Membuat laporan dan melakukan paparan atas hasil pemeriksaan							- Routing Slip - Draft LHP - Draft surat petunjuk Gubernur ke SKPD terkait	1 Hari	- Draft LHP - Draft Surat petunjuk Gubernur ke SKPD terkait	
11	Draft LHP di koreksi Subag Evlap							- Draft LHP - Draft Surat Petunjuk Gubernur ke SKPD terkait	1 Hari	- Draft LHP - Draft Surat Petunjuk Gubernur ke SKPD terkait	
12	Draft LHP di koreksi Evlap, diteruskan ke Sekretaris untuk diparaf							- Draft LHP - Draft surat petunjuk Gubernur ke SKPD terkait	1 Hari	- Draft LHP - Draft surat petunjuk Gubernur ke SKPD terkait	
13	LHP Net ditandatangani Inspektur dan diserahkan ke Sekretaris untuk diperbanyak dan didistribusikan ke SKPD terkait							- Draft LHP - Draft surat petunjuk Gubernur ke SKPD terkait	1 Hari	- Draft LHP - Petunjuk Gubernur ke SKPD terkait	
14	Diterima Irban sebagai Arsip							Buku Agenda	1 Hari		

Source: Inspectorate of West Sumatera Province

#### **4.2.1.2 Special Case Inspection Procedures in Inspectorate of West Sumatera Province**

In the inspection of case conducted by the Inspectorate of West Sumatera Province, at the first step, Inspector receives instructions from the Governor that there were complaints in related SKPD (*Satuan Kerja Perangkat Daerah* – Department/Unit) that need to be inspection / investigation by the Inspectorate. These instructions will thereafter proceed to the Secretary for later disposition to Subag Evlap (*Sub Bagian Evaluasi Laporan* – Report Evaluation Department). Then, Subag Evlap (*Sub Bagian Evaluasi Laporan* – Report Evaluation Department) will examine the instructions and will duplicate and distribute instructions to related Irbanwil (*Inspektur Pembantu Wilayah*).

Furthermore Irbanwil will make a team that will be tasked to do a case inspection by creating official memorandum, that will be approve by the Inspector. After that, the Inspector will submit the approved official memorandum to Subag Umum for making Letter of Assignment (*Nota Dinas*). Subag Umum will make Draft Letter of Assignment (*Draft Nota Dinas*) and submit it to the Inspector through the Secretary for signature. After the Letter of Assignment was signed by Inspector, then the Letter of Assignment will be submitted to Irbanwil to be followed up.

Irbanwil, based on the Letter of Assignment (*Nota Dinas*), will instruct the team that has been previously established to conduct the review. In this step, attributes needed are Program Inspection and Working Papers. Once the inspection is completed, the team will be making NHP (*Naskah Hasil Pemriksaan*

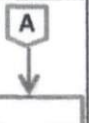





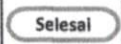

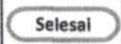

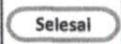

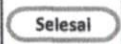

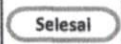

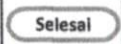

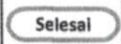

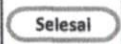

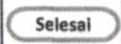

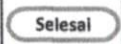

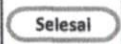

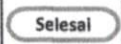

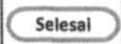

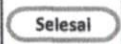

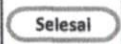

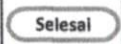

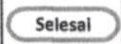

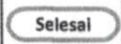

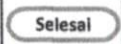

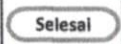

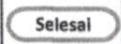

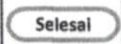

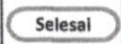

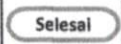

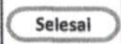

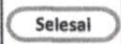

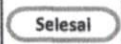

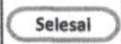

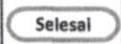

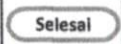

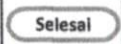

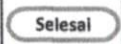

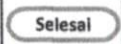

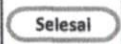

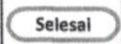

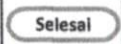

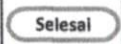

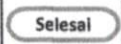

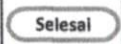

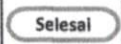

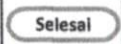

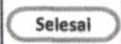

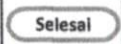

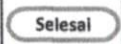

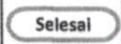

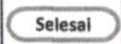

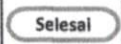

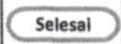

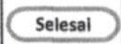

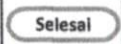

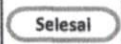


-Manuscript of Inspection). After that, NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*) will be presented in front of all Irbanwil to be evaluated and corrected. After making corrections to the NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*) on the recommendation of Irbanwil in previous exposure, the NHP (*Naskah Hasil Pemeriksaan - Manuscript of Inspection*) will change the status to the Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*). And then, the Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*) will be submitted to Subag Evlap (*Sub Bagian Evaluasi Laporan – Report Evaluation Department*) to be corrected again. Once corrected by Subag Evlap, then Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*) will be submitted to the Secretary to be initialed. Then the draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*) will be submitted to the Inspector for signature, in this step Draft LHP (*Draft Laporan Hasil Pemeriksaan - Draft Report of Inspection*) will change the status to be LHP (*Laporan Hasil Pemeriksaan - Report of Inspection*). Furthermore, LHP (*Laporan Hasil Pemeriksaan - Report of Inspection*) will be submitted to the Secretary to be reproduced and distributed to related SKPD. And will be submitted also to Irbanwil to serve as an archive.



Uraian Prosedur		Pelaksana					Mutu Baku			Ket	
		Inspektur	Sekretaris	Irbanwil	Kasubag Perencanaan	Kasubag Umum	Kasubag Evlap	Kelengkapan	Waktu		Output
Pemeriksaan Kasus di Lingkungan Pemerintahan Provinsi Sumatera											
1	Inspektur menerima instruksi dari gubernur bahwa ada pengaduan di SKPD terkait yang perlu dilaksanakan pemeriksaan/penelitian oleh Inspektorat dan disampaikan ke Sekretaris	<div>Mulai</div>						Lembar Disposisi	15 Menit	Lembar Disposisi	
2	Sekretaris memberikan disposisi ke Subag Evlap		<div></div>					Lembar Disposisi	15 Menit	Lembar Disposisi	
3	Subag Evlap menelaah, menggandakan dan diserahkan ke Irban Terkait						<div></div>	Lembar Disposisi	15 Menit	Lembar Disposisi	
4	Irbanwil membuat tim untuk melakukan pemeriksaan kasus dengan membuat Nota Dinas meminta persetujuan Inspektur			<div></div>				Nota Dinas	1 Hari	Lembar Disposisi	
5	Inspektur menyerahkan persetujuan ND ke Subag Umum untuk pembuatan Surat Tugas	<div></div>						Draft ST	1 Hari		
6	Membuat draft ST dan menyerahkan ke Inspektur untuk ditandatangani melalui sekretaris	<div></div>				<div></div>		Surat Tugas	1 Hari		
7	ST diserahkan ke Irban terkait			<div></div>				Surat Tugas	1 Hari		

Source: Inspectorate of West Sumatera Province

Uraian Prosedur	Pelaksana						Mutu Baku			Ket
	Inspektur	Sekretaris	Irbanwil	Kasubag Perencanaan	Kasubag Umum	Kasubag Evlap	Kelengkapan	Waktu	Output	
Pemeriksaan Kasus di Lingkungan Pemerintahan Provinsi Sumatera										
8	Melakukan pemeriksaan sesuai dengan Surat Tugas						- Program kerja pemeriksaan - Kertas Kerja	4 Hari	- NHP	
9	Melakukan paparan atas hasil pemeriksaan dan menyerahkan laporan ke Subag Evlap						- Draft LHP - In focus		- Draft LHP - Draft surat petunjuk Gubernur ke SKPD terkait	
10	Draft LHP dikoreksi Subag Evlap dan diteruskan ke Sekretaris untuk diparaf						- Routing Slip	1 Hari	- Draft LHP	
11	LHP Net ditandatangani Inspektur dan diserahkan ke Sekretaris untuk diperbanyak dan didistribusikan ke SKPD terkait						- Routing Slip	1 Hari	- Net LHP - Petunjuk Gubernur ke SKPD terkait	
12	Diterima Irban sebagai Arsip						- Buku Agenda	1 Hari	- Net LHP - Petunjuk Gubernur ke SKPD terkait	
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										
										

#### 4.2.2 Auditor and P2UPD Position

Table 4.4

**AUDITOR PERSONNEL IN INSPECTORATE OF WEST SUMATERA PROVINCE**

NO	NAME	POSITION	INFO
1	Drs. Saipunir	Auditor Madya	TINGKAT AHLI
2	Syofni, S.IP	Auditor Madya	11 person
3	Hj. Desminar Arifin, S.Sos, MM	Auditor Madya	
4	Betty Vetria, SE	Auditor Madya	
5	Andriati, SE	Auditor Madya	
6	Hj. Elfrida, SE	Auditor Madya	
7	Syafrizon Syofyan, SH	Auditor Muda	
8	Gusman, SH	Auditor Muda	
9	Indriyani, SE	Auditor Muda	
10	Megah Vivyawati, SH	Auditor Muda	
11	Zulhakmi, S.IP	Auditor Pertama	
12	Asrul (Pensiun tmt.01-11-2012)	Auditor Penyelia	TINGKAT TERAMPIL
13	Basman	Auditor Penyelia	6 person
14	Asril	Auditor Penyelia	
15	Erizal	Auditor Pelaks. Lanjutan	
16	Yasmin (Pensiun tmt.01-11-2012)	Auditor Pelaks. Lanjutan	
17	Mirza Dewi Astuti, ST	Auditor Pelaks. Lanjutan	
TOTAL			17 Person

Information:

Auditor Madya	= 6 person
Auditor Muda	= 4 person
Auditor Pertama	= 1 person
Auditor Penyelia	= 3 person
Auditor Pelaks Lanjutan	= 3 person

Table 4.5

**P2UPD PERSONNEL IN INSPECTORATE OF WEST SUMATERA PROVINCE**

NO	NAME	POSITION	INFO
1	Irawadi. R, SE	Pengawas Pemerintahan Madya	TINGKAT MADYA
2	Hj. Erni Syofyetti, SH, M.Si	Pengawas Pemerintahan Madya	2 person
3	Hj. Nelly Purnama, SH	Pengawas Pemerintahan Muda	TINGKAT MUDA
4	Dian Fitri, SH	Pengawas Pemerintahan Muda	8 person
5	Media Kasih. AZ, SH	Pengawas Pemerintahan Muda	
6	Rahmah Febri Yeni, SE	Pengawas Pemerintahan Muda	
7	H. Alfianori, S.Sos	Pengawas Pemerintahan Muda	
8	Yuliarman, S.Sos	Pengawas Pemerintahan Muda	
9	Alfino Diesta, S.Sos	Pengawas Pemerintahan Muda	
10	Monita, S.Farm, M.Sc, Apt	Pengawas Pemerintahan Muda	
11	Mukhlis, SE	Pengawas Pemerintahan Pertama	TINGKAT PERTAMA
12	Rahmat Gandolismansa, SE	Pengawas Pemerintahan Pertama	5 person
13	Tirta Melur. MP, SE	Pengawas Pemerintahan Pertama	
14	Erdelina, SE	Pengawas Pemerintahan Pertama	
15	Hj. Haida Reno Mutia, ST, MM	Pengawas Pemerintahan Pertama	
TOTAL			15 person

Information:

Pengawas Pemerintahan Madya	= 2 person
Pengawas Pemerintahan Muda	= 8 person
Pengawas Pemerintahan Pertama	= 5 person

Source: Inspectorate of West Sumatera Province



### 4.3 Analysis and Discussion

In the analysis and discussion, the author will discuss the results of research at the Inspectorate of West Sumatera province. The author will describe each indicator results of this study that the author made for each variable used in this study.

The first variable is Work Experience. And the first indicator in this variable is about the length of working as an auditor. From the interview in Inspectorate of West Sumatera Province, author finds that the longer work as an auditor, the auditor will further understand how to deal with the entity / object inspection in obtaining the data and information needed. This is also consistent with the fact that the longer working as an auditor, the auditor will be able to find information relevant to take that into consideration when making decisions. And the authors also found that, the longer working as an auditor, the auditor will be able to detect errors made by inspection object. And the author also finds the fact that the longer working as an auditor, the auditor will more easily to find the causes of errors and provide recommendations to eliminate or minimize the cause.

Meanwhile, the second indicator is the number of inspection tasks. Author finds although there are a lot of inspection tasks performed by an auditor, auditors are still doing with thoroughness and precision. And the author also finds the fact that if there are errors in the collection and selection of evidence and information, it does not hinder the completion of the work carried out by an auditor. In addition, more work experience as an auditor, the auditor will assigned more tasks than less work experience auditor.



For variable independence, the author has three indicators. The first indicator that author use is: Independence in program making. Based on the interview, the author found that the preparation of the audit program are relatively free from the inspector to determine, eliminate or modify certain parts are inspected, because the inspection process is fully responsible by the chairman of the audit team, and if the audit has been completed, the report generated should be checked by Irbanwil (*Inspektur Pembantu Wilayah*) and then checked back in Subag Evlap (*Sub Bagian Evaluasi Laporan*), then when the report finished, inspector signed the report. So based on the findings of the authors, preparation of audit program in Inspectorate of West Sumatera Province are relatively free from the Inspector to determine, eliminate or modify certain parts are inspected.

For second indicator, namely: Independence on execution of the work. Based on the interview, the author found that the implementation of an audit conducted by the Inspectorate of West Sumatera Province is relatively free from managerial effort (inspection object) to determine or appoint the activities examined. This means that auditors can inspect the unit, activity or any part that auditor want to check. And the authors also found that in the process of audit, the auditor doing cooperation with the managerial, it would facilitate the data retrieval tests carried by auditor, and the auditor will certainly make it easier to monitor the object. This is consistent with the findings that any inspection conducted by auditors is relatively independent of personal interests and other parties to restrict all inspection activities.

The third indicator, namely: Independence of Report. Based on the interview, the author finds that the results of the report made by the auditor are

exempt from other parties to influence the reported facts. This is because in while preparing inspection report, an auditor must have data and evidence if they finds a finding, and the report must also be presented in front of all Irbanwil (*Inspektur Pembantu Wilayah*), and must be re-examined by Subag Evlap (*Sub Bagian Evaluasi Laporan*) to be corrected, so that the system created at the Inspectorate has guarantee the independence of the report of investigation conducted by the auditor. This is in line with the findings of the authors, that the audit report independent from language or terms that possible to have multiple interpretations, because before the report signed by the inspector, the report has been through a series of correction and evaluation. Moreover, the author also finds that the report is independent from certain parties that try to obstruct the probe consideration of the content of inspection reports. So, based on the interview, the report is relatively free from other parties to influence consideration of the content of the inspection report.

For Objectivity variables, the authors use two indicators. The first indicator is: Free from any conflict of interest. Based on the interview, the author finds that the auditor can act fairly, regardless of pressure or request by certain parties, because in auditing process the auditor are included in a team, and each team has a chairman who oversees the work of an auditor, so the author believe that the auditor is able to act fairly, regardless of pressure or requests from a particular party. Furthermore, before an auditor assigned, Irbanwil will consider who the auditors are feasible and appropriate to include into the audit team. And the authors also found that the inspection results have to be independent from anyone who has interest on it. In addition, the author finds that auditors in

Inspectorate of West Sumatera Province must also be reliable and trustworthy, as it has become imperative in the auditor Code of Conduct.

The second indicator on Objectivity is; Disclosure of the conditions with the real facts. Based on the interview, author finds that auditor is required to perform their tasks in accordance to disclose existing conditions without intending to look for mistakes made by the object inspection. Furthermore, the author finds that auditors in Inspectorate of West Sumatera Province can maintain criteria and official policies. In addition, the authors also found that in making decisions, auditors use a logical thinking. So it will gives good result on the quality on the inspection.

For variable Integrity, the author divided it into 4 indicators. The first indicator is: Auditor's Honesty. Based on the interview, author finds that the auditors have obey the rules in Inspectorate. Moreover, the author also finds that auditors should work according to the actual situation, not add to nor detract from the fact that there is.

The second indicator on Integrity is: Auditor's Courage. Based on the interview, the authors finds that auditors who conduct an audit relatively can not be intimidated by others and are not subject to pressure by others to influence the attitudes and opinions. In addition, the author also finds that auditors must have great confidence in the face of adversity, so any problems that may arise in the inspection conducted, the auditor can make a decision with confidence without the influence of any party.

The third indicator on Integrity is: Auditor's Prudence. Based on the interview, the authors find that auditors are always weighing the consequences following issues carefully, it is possible because auditors are incorporated into a team, and when finds a case, all members will provide input for consideration and decision making.

The fourth indicator on Integrity is: Auditor's Responsibility. Based on the interview, the author finds that auditor must have a high responsibility. And if the inspection results are still needs repair and improvement, the auditor should be responsible for improving the report. And the auditors also have to motivate themselves by showing consistent enthusiasm to work. And auditors are also required to be able to act and behave in accordance with the norms, so there will be no possible deviation. Beside that, in making recommendations the auditor should adhere to the provisions or regulations keeping in mind that the recommendations made can be implemented.

For variable Competence, the author divides into three indicators, and the first indicator is personal quality. Based on the interview, the author finds that in the execution of their tasks, auditor must have a great curiosity, broad-minded and able to handle uncertainty. Additionally, auditors are also required to be able to accept that there is no easy solution, and realize that some of the findings can be subjective. And, the auditor also required to cooperating in a team.

The second indicator on Competence is General Knowledge. Based on the interview, author finds that the auditors are required to have the ability to perform analytical review. In addition, auditors are also required to have knowledge of



organizational theory to understand the organization, and it would facilitate the auditors in carrying out their tasks, which will always be associated with an organization. And then, auditors are also required to have knowledge of auditing and knowledge of the public sector. And author finds that auditors who works in Inspectorate of West Sumatera Province has received a lot of training in auditing and public sector, so they have enough knowledge when carrying out their tasks. Furthermore, auditors are also required to have knowledge of accounting that will assist them in processing the data and numbers, which will facilitate an auditor in data processing of inspection results.

The third indicator on Competence is Special Skills. Based on the interview, the author finds that an auditor should have the expertise to do the interview as well as the ability to read quickly, so while fulfilling their tasks, the auditor may obtain actual fact, this is very important because when an auditor can find the truth, means they can produce a good quality on inspection. Besides that, auditor is also required to understand the statistics science as well as the expertise to use the computer, it is necessary to process the data from the inspection. In addition, auditors are also required to have the ability to write and present reports properly, it is necessary in the preparation of reports and it is also required in the presentation of inspection.

For variable Quality of Inspection Results, author divides into two indicators. And the first indicator is Compliance of Inspection with Auditing Standards. Based on the interview, the author finds that when accepting the assignment, the auditor always set goals, scope, and methodology of inspection. It is necessary to facilitate the conduct of the auditor's inspection. Otherwise, it will

facilitate the auditor to determine priorities of the examination. In addition, the auditor in all their work will be reviewed by multiple supervisors before they prepare the inspection report. It is already shows by the authors in the Standard Operational Procedure above. Furthermore, the collection and testing of evidence have to optimally done to support the conclusion, audit findings and related recommendations. In addition, the auditors will organize their audit documents in audit working papers, and stored properly in order to effectively captured, referenced and analyzed.

The last indicator is Quality of Inspection Report. Based on the interview, author finds that each inspection report submitted by auditor will include the findings and conclusions in an objective inspection and constructive recommendations. Also in the report of inspection, shall be revealed the problems that have not been solved until the end of the inspection and it will be followed up by inspection object. In addition, the report should disclose achievement or success of a corrective action that has been implemented by inspection object. The report should also disclose response by officers from inspection object. In addition, the report generated should be accurate, complete, objective, convincing, clear, concise, and timely, in order to use the information effectively

Table 4.6 Summary of Result

No	Indicators	Regulation	Results	Conclusion
1	Length of working as an auditor	<ul style="list-style-type: none"> <li>○ The auditor required to understand how to deal with the entity/object inspection</li> <li>○ The auditor required to be able to find relevant information to take that into consideration when making decisions.</li> <li>○ The auditor required to be able to detect errors made by inspection object.</li> <li>○ The auditor required to find the causes of errors and provide recommendations to eliminate or minimize the cause</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditor will more further understand how to deal with the entity/object inspection</li> <li>○ The auditor will be able to find relevant information to take that into consideration when making decisions.</li> <li>○ The auditor will be able to detect errors made by inspection object.</li> <li>○ The auditor will more easily to find the causes of errors and provide recommendations to eliminate or minimize the cause.</li> </ul>	<ul style="list-style-type: none"> <li>○ Length of working as an auditor influence the audit quality</li> </ul>
2	The number of Inspection tasks	<ul style="list-style-type: none"> <li>○ The auditor required to perform a lot of inspection tasks.</li> </ul>	<ul style="list-style-type: none"> <li>○ Although there are a lot of inspection tasks performed by an auditor, auditors are still doing with thoroughness and precision</li> <li>○ If there are errors in the collection and selection of evidence and information, it does not hinder of the work carried out by an auditor</li> <li>○ More work experience as an</li> </ul>	<ul style="list-style-type: none"> <li>○ Number of Inspection tasks influence the audit quality</li> </ul>

			auditor, the auditor will assigned more tasks than less work experience auditor	
3	Independence on making program	<ul style="list-style-type: none"> <li>○ The auditor required to be independent in preparing the audit program.</li> </ul>	<ul style="list-style-type: none"> <li>○ The preparation of the audit program are relatively free from the inspector to determine, eliminate or modify certain parts are inspected.</li> </ul>	<ul style="list-style-type: none"> <li>○ Independence on making program influence the audit quality</li> </ul>
4	Independence on execution of work	<ul style="list-style-type: none"> <li>○ The auditor required to be independent on execution of work.</li> </ul>	<ul style="list-style-type: none"> <li>○ The implementation of an audit conducted relatively free from managerial effort (inspection object)</li> <li>○ The auditor doing cooperation with the managerial, this may make auditor easier to monitor the object inspection.</li> <li>○ Any inspection conducted, relatively independent of personal interest and other parties to restrict all inspection activities</li> </ul>	<ul style="list-style-type: none"> <li>○ Independence on execution of work influence the audit quality</li> </ul>
5	Independence on Reporting	<ul style="list-style-type: none"> <li>○ The auditor required to be independent in reporting the inspection result.</li> </ul>	<ul style="list-style-type: none"> <li>○ The results of the report made by the auditor are exempt from other parties to influence the reported facts.</li> <li>○ The audit report independent from language or terms that possible to have multiple interpretations.</li> <li>○ The report is</li> </ul>	<ul style="list-style-type: none"> <li>○ Independence on reporting influence the audit quality</li> </ul>



			independent from certain parties that try to obstruct the probe consideration of the content of inspection reports.	
6	Free from any conflict of interest	<ul style="list-style-type: none"> <li>○ The auditor required to be free from any conflict of interest</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditor can act fairly, regardless of pressure or request by certain parties.</li> <li>○ The inspection result is really free from anyone who has interest on it</li> <li>○ The auditor also reliable and trustworthy.</li> </ul>	<ul style="list-style-type: none"> <li>○ Free from any conflict of interest influence the audit quality</li> </ul>
7	Disclosure of condition that fit with the facts	<ul style="list-style-type: none"> <li>○ The auditor required to perform their tasks in accordance to disclose existing conditions without intending to look for mistakes made by the inspection object</li> <li>○ The auditor required to maintain criteria and official policies.</li> <li>○ The auditor required to use logical thinking in making decisions</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditor perform their tasks in accordance to disclose existing conditions without intending to look for mistakes made by the inspection object</li> <li>○ The auditor can maintain criteria and official policies.</li> <li>○ The auditor use logical thinking in making decisions</li> </ul>	<ul style="list-style-type: none"> <li>○ Disclosure of condition that fit with the facts influence the audit quality</li> </ul>
8	Auditor's Honesty	<ul style="list-style-type: none"> <li>○ The auditor required to obey the rules in Inspectorate.</li> <li>○ The auditor required to work according to the actual situation, not add to nor detract from</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditors obeyed the rules in Inspectorate.</li> <li>○ The auditors work according to the actual situation, not add to nor detract from the facts that</li> </ul>	<ul style="list-style-type: none"> <li>○ Auditor's honesty influence the audit quality</li> </ul>

		the facts that there is	there is	
9	Auditor's Courage	<ul style="list-style-type: none"> <li>○ The auditor required to have a great confidence and courage in their work</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditors who conduct an audit relatively can not be intimidated by others and are not subject to pressure by others to influence the attitudes and opinions.</li> <li>○ The auditor must have great confidence in the face of diversity.</li> </ul>	<ul style="list-style-type: none"> <li>○ Auditor's courage influence the audit quality</li> </ul>
10	Auditor's Prudence	<ul style="list-style-type: none"> <li>○ The auditor required to weighing the consequences following issues carefully</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditor are always weighing the consequences following issues carefully</li> </ul>	<ul style="list-style-type: none"> <li>○ Auditor's prudence influence the audit quality</li> </ul>
11	Auditor's Responsibility	<ul style="list-style-type: none"> <li>○ The auditor required to have a good responsibility when doing their tasks.</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditors have a high responsibility, and if inspection results are still needs repair and improvement, the auditor should responsible for improving the report.</li> <li>○ The auditors also motivate themselves by showing consistent enthusiasm to work.</li> <li>○ The auditors able to act and behave in accordance with the norms.</li> <li>○ The auditor, in making recommendation</li> </ul>	<ul style="list-style-type: none"> <li>○ Auditor's responsibility influence the audit quality</li> </ul>

			adhere to the provisions or regulations keeping in mind that the recommendation made can be implemented.	
12	Personal Quality	<ul style="list-style-type: none"> <li>○ The auditor required to have a good personal quality</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditor, in the execution of their tasks, have a great curiosity, broad-minded and able to handle uncertainty</li> <li>○ The auditors are able to accept that is no easy solution, and realize that some of the findings can be subjective.</li> <li>○ The auditor can working in a team</li> </ul>	<ul style="list-style-type: none"> <li>○ Personal quality influence the audit quality</li> </ul>
13	General Knowledge	<ul style="list-style-type: none"> <li>○ The auditor required to have a good general knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditors have the ability to perform analytical review</li> <li>○ The auditors have knowledge of organizational theory to understand the organization.</li> <li>○ The auditors have knowledge of auditing and knowledge of the public sector.</li> <li>○ The auditors have knowledge of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>○ General knowledge influence the audit quality</li> </ul>
14	Special Skills	<ul style="list-style-type: none"> <li>○ The auditor required to have good special skills.</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditors have expertise to do the interview as well as the ability to read</li> </ul>	<ul style="list-style-type: none"> <li>○ Special skills influence the audit quality</li> </ul>

			<p>quickly.</p> <ul style="list-style-type: none"> <li>○ The auditors understand the statistics science as well as expertise to use the computer.</li> <li>○ The auditors have ability to write and present reports properly.</li> </ul>	
15	Compliance of Inspection with Auditing Standard	<ul style="list-style-type: none"> <li>○ The auditor required to make the inspection that compliance with auditing standard</li> </ul>	<ul style="list-style-type: none"> <li>○ The auditors, when accepting the assignment, always set the goal, and methodology of inspection.</li> <li>○ The auditor in all their work reviewed by multiple supervisors before they prepare the inspection report.</li> <li>○ The collection and testing of evidence optimally done to support the conclusion, audit findings and related recommendations</li> <li>○ The auditors organize their audit documents in audit working papers, and stored properly in order to effectively captured, references and analyzed</li> </ul>	<ul style="list-style-type: none"> <li>○ Compliance of inspection with auditing standard influence the audit quality</li> </ul>
16	Quality of Inspection Report	<ul style="list-style-type: none"> <li>○ The auditor required to have a good quality in inspection report</li> </ul>	<ul style="list-style-type: none"> <li>○ Each inspection result submitted by auditor includes the findings and conclusions in an objective and</li> </ul>	<ul style="list-style-type: none"> <li>○ Quality of inspection report influence the audit quality</li> </ul>



			<p>constructive recommendation.</p> <ul style="list-style-type: none"> <li>○ The report of inspection revealed the problems that have not been solved until the end of the inspection and it will be followed up by inspection object</li> <li>○ The report discloses achievement or success of a corrective action that has been implemented by inspection object.</li> <li>○ The reports also disclose response by officers from inspection object.</li> <li>○ The report accurate, complete, objective, convincing, clear, concise, and timely.</li> </ul>	
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## **CHAPTER V**

### **CONCLUSION AND RECOMMENDATION**

The preceding chapters have presented the analysis and result. This chapter provides conclusion from the finding and discussion from previous chapter. Some recommendation for the further study is also present in this chapter.

#### **5.1 Conclusion**

Internal audits of government is one part of the supervision, the practical consists of seeking information about what actions are carried out in an institution examined, comparing the results with specified criteria, and approve or reject the recommendations by providing remedial action.

This study shows that the Inspectorate of West Sumatera Province has implemented all audit system very well. It can be seen from the system built by the Inspectorate starting from planning, execution, and reporting. In addition, there is a gradual evaluation system that makes the quality of the audit is properly assessed.

This study also proved that all factors, that are: independence, objectivity, work experience, competence, and integrity has influence to audit quality in local government. So, author may conclude that those factors are very important in maintain the quality of audit in local government.

## **5.2 Recommendation**

To Inspectorate of West Sumatera province, the authors suggest Inspectorate of West Sumatera province to keep its job as it should be, so the quality in this time can be maintained, and would be better in the future.

For further research, the authors suggest that it could conduct a more in-depth research, and add more samples, in order to obtain better results.

## **5.3 Research Limitation**

This study has limitations that may cause interference bias on research results:

1. Limited time in this research, because the auditor was on the field and has been busy with their work.
2. Limitations in the interview due to busy responders, so that the author can not find detail information from the auditor.

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## DAFTAR PERTANYAAN UNTUK VARIABEL PENGALAMAN KERJA

### I. Indikator: Lamanya bekerja sebagai auditor

1. Bagaimana pendapat Bapak/Ibu mengenai semakin lama menjadi auditor, semakin mengerti bagaimana menghadapi entitas/obyek pemeriksaan dalam memperoleh data dan informasi yang dibutuhkan?
2. Bagaimana pendapat Bapak/Ibu mengenai semakin lama bekerja sebagai auditor, semakin dapat mengetahui informasi yang relevan untuk mengambil pertimbangan dalam membuat keputusan?
3. Bagaimana pendapat Bapak/Ibu mengenai semakin lama bekerja sebagai auditor, semakin dapat mendeteksi kesalahan yang dilakukan obyek pemeriksaan?
4. Bagaimana pendapat Bapak/Ibu mengenai semakin lama menjadi auditor, semakin mudah mencari penyebab munculnya kesalahan serta dapat memberikan rekomendasi untuk menghilangkan/memperkecil penyebab tersebut?

### II. Indikator: Banyaknya Tugas Pemeriksaan

5. Bagaimana pendapat Bapak/Ibu mengenai banyaknya tugas pemeriksaan membutuhkan ketelitian dan kecermatan dalam menyelesaikannya?
6. Bagaimana pendapat Bapak/Ibu mengenai kekeliruan dalam pengumpulan dan pemilihan bukti serta informasi dapat menghambat proses penyelesaian pekerjaan?
7. Bagaimana pendapat Bapak/Ibu mengenai banyaknya tugas yang dihadapi memberikan kesempatan untuk belajar dari kegagalan dan keberhasilan yang pernah dialami?

8. Bagaimana pendapat Bapak/Ibu mengenai banyaknya tugas yang diterima dapat memacu auditor untuk menyelesaikan pekerjaan dengan cepat dan tanpa terjadi penumpukan tugas?

## DAFTAR PERTANYAAN UNTUK VARIABEL INDEPENDENSI

### I. Indikator: Independensi penyusunan program

1. Bagaimana pendapat Bapak/Ibu mengenai penyusunan program audit bebas dari campur tangan pimpinan (inspektur) untuk menentukan, mengeliminasi atau memodifikasi bagian-bagian tertentu yang diperiksa?
2. Bagaimana pendapat Bapak/Ibu mengenai penyusunan program audit bebas dari intervensi pimpinan tentang prosedur yang dipilih auditor?
3. Bagaimana pendapat Bapak/Ibu mengenai penyusunan program audit bebas dari usaha-usaha pihak lain untuk menentukan subyek pekerjaan pemeriksaan?

### II. Indikator: Independensi pelaksanaan pekerjaan

4. Bagaimana pendapat Bapak/Ibu mengenai pemeriksaan bebas dari usaha-usaha manajerial (obyek pemeriksaan) untuk menentukan atau menunjuk kegiatan yang diperiksa?
5. Bagaimana pendapat Bapak/Ibu mengenai pelaksanaan pemeriksaan harus bekerjasama dengan manajerial selama proses pemeriksaan?
6. Bagaimana pendapat Bapak/Ibu mengenai pemeriksaan bebas dari kepentingan pribadi maupun pihak lain untuk membatasi segala kegiatan pemeriksaan?

### III. Indikator: Independensi pelaporan

7. Bagaimana pendapat Bapak/Ibu mengenai pelaporan bebas dari kewajiban pihak lain untuk mempengaruhi fakta-fakta yang dilaporkan?
8. Bagaimana pendapat Bapak/Ibu mengenai pelaporan hasil audit bebas dari bahasa atau istilah-istilah yang menimbulkan multi tafsir?
9. Bagaimana pendapat Bapak/Ibu mengenai pelaporan bebas dari usaha pihak tertentu untuk mempengaruhi pertimbangan pemeriksa terhadap isi laporan pemeriksaan?

### DAFTAR PERTANYAAN UNTUK VARIABEL OBYEKTIFITAS

#### I. Indikator: Bebas dari benturan kepentingan

1. Bagaimana pendapat Bapak/Ibu mengenai auditor dapat bertindak adil tanpa dipengaruhi tekanan atau permintaan pihak tertentu yang berkepentingan atas hasil pemeriksaan?
2. Bagaimana pendapat Bapak/Ibu mengenai auditor menolak menerima penugasan audit bila pada saat bersamaan sedang mempunyai hubungan kerjasama dengan pihak yang diperiksa?
3. Bagaimana pendapat Bapak/Ibu mengenai auditor tidak boleh memihak kepada siapapun yang mempunyai kepentingan atas hasil pekerjaannya?
4. Bagaimana pendapat Bapak/Ibu mengenai auditor harus dapat diandalkan dan dipercaya.

## II. Indikator: Pengungkapan kondisi sesuai fakta

5. Bagaimana pendapat Bapak/Ibu mengenai auditor tidak dipengaruhi oleh pandangan subyektif pihak-pihak lain yang berkepentingan, sehingga dapat mengemukakan pendapat menurut apa adanya?
6. Bagaimana pendapat Bapak/Ibu mengenai dalam melaksanakan tugas, auditor tidak bermaksud untuk mencari-cari kesalahan yang dilakukan oleh obyek pemeriksaan?
7. Bagaimana pendapat Bapak/Ibu mengenai auditor dapat mempertahankan kriteria dan kebijaksanaan-kebijaksanaan yang resmi?
8. Bagaimana pendapat Bapak/Ibu mengenai dalam melakukan tindakan atau dalam proses pengambilan keputusan, auditor menggunakan pikiran yang logis?

## DAFTAR PERTANYAAN UNTUK VARIABEL INTEGRITAS

### I. Indikator: Kejujuran auditor

1. Bagaimana pendapat Bapak/Ibu mengenai auditor harus taat pada peraturan-peraturan baik diawasi maupun tidak diawasi?
2. Bagaimana pendapat Bapak/Ibu mengenai auditor harus bekerja sesuai keadaan yang sebenarnya, tidak menambah maupun mengurangi fakta yang ada?
3. Bagaimana pendapat Bapak/Ibu mengenai auditor tidak menerima segala sesuatu dalam bentuk apapun yang bukan haknya?



II. Indikator: Keberanian auditor

4. Bagaimana pendapat Bapak/Ibu mengenai auditor tidak dapat diintimidasi oleh orang lain dan tidak tunduk karena tekanan yang dilakukan oleh orang lain guna mempengaruhi sikap dan pendapatnya?
5. Bagaimana pendapat Bapak/Ibu mengenai auditor mengemukakan hal-hal yang menurut pertimbangan dan keyakinannya perlu dilakukan?
6. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki rasa percaya diri yang besar dalam menghadapi berbagai kesulitan?

III. Indikator: Sikap bijaksana auditor

7. Bagaimana pendapat Bapak/Ibu mengenai auditor selalu menimbang permasalahan berikut akibat-akibatnya dengan seksama?
8. Bagaimana pendapat Bapak/Ibu mengenai auditor mempertimbangkan kepentingan negara?
9. Bagaimana pendapat Bapak/Ibu mengenai auditor tidak mempertimbangkan keadaan seseorang/sekelompok orang atau suatu unit organisasi untuk membenarkan perbuatan melanggar ketentuan atau peraturan perundang-undangan yang berlaku?

IV. Indikator: Tanggung jawab auditor

10. Bagaimana pendapat Bapak/Ibu mengenai auditor tidak mengelak atau menyalahkan orang lain yang dapat mengakibatkan kerugian orang lain?
11. Bagaimana pendapat Bapak/Ibu mengenai auditor memiliki rasa tanggung jawab bila hasil pemeriksaannya masih memerlukan perbaikan dan penyempurnaan?

12. Bagaimana pendapat Bapak/Ibu mengenai auditor memotivasi diri dengan menunjukkan antusiasme yang konsisten untuk selalu bekerja?
13. Bagaimana pendapat Bapak/Ibu mengenai auditor bersikap dan bertingkah laku sesuai dengan norma yang berlaku?
14. Bagaimana pendapat Bapak/Ibu mengenai dalam menyusun rekomendasi, auditor harus berpegang teguh kepada ketentuan/peraturan yang berlaku dengan tetap mempertimbangkan agar rekomendasi dapat dilaksanakan?

#### DAFTAR PERTANYAAN UNTUK VARIABEL KOMPETENSI

##### I. Indikator: Mutu personal

1. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki rasa ingin tahu yang besar, berpikiran luas dan mampu menangani ketidakpastian?
2. Bagaimana pendapat Bapak/Ibu mengenai auditor harus dapat menerima bahwa tidak ada solusi yang mudah, serta menyadari bahwa beberapa temuan dapat bersifat subyektif?
3. Bagaimana pendapat Bapak/Ibu mengenai auditor harus mampu bekerjasama dalam tim?

##### II. Indikator: Pengetahuan umum

4. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki kemampuan untuk melakukan review analitis?
5. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki pengetahuan tentang teori organisasi untuk memahami organisasi?
6. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki pengetahuan auditing dan pengetahuan tentang sektor public?

7. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki pengetahuan tentang akuntansi yang akan membantu dalam mengolah angka dan data?

III. Indikator: Keahlian khusus

8. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memiliki keahlian untuk melakukan wawancara serta kemampuan membaca cepat?
9. Bagaimana pendapat Bapak/Ibu mengenai auditor harus memahami ilmu statistik serta mempunyai keahlian menggunakan computer?
10. Bagaimana pendapat Bapak/Ibu mengenai auditor memiliki kemampuan untuk menulis dan mempresentasikan laporan dengan baik?

DAFTAR PERTANYAAN UNTUK VARIABEL KUALITAS HASIL PEMERIKSAAN

I. Indikator: Kesesuaian Pemeriksaan dengan Standar Audit

1. Bagaimana pendapat Bapak/Ibu mengenai saat menerima penugasan, auditor menetapkan sasaran, ruang lingkup, metodologi pemeriksaan?
2. Bagaimana pendapat Bapak/Ibu mengenai dalam semua pekerjaan saya harus direview oleh atasan secara berjenjang sebelum laporan hasil pemeriksaan dibuat?
3. Bagaimana pendapat Bapak/Ibu mengenai proses pengumpulan dan pengujian bukti harus dilakukan dengan maksimal untuk mendukung kesimpulan, temuan audit serta rekomendasi yang terkait?

4. Bagaimana pendapat Bapak/Ibu mengenai auditor menatausahakan dokumen audit dalam bentuk kertas kerja audit dan disimpan dengan baik agar dapat secara efektif diambil, dirujuk dan dianalisis?
5. Bagaimana pendapat Bapak/Ibu mengenai dalam melaksanakan pemeriksaan, auditor harus mematuhi kode etik yang ditetapkan?

II. Indikator: Kualitas laporan hasil pemeriksaan

6. Bagaimana pendapat Bapak/Ibu mengenai laporan hasil pemeriksaan memuat temuan dan simpulan hasil pemeriksaan secara obyektif, serta rekomendasi yang konstruktif?
7. Bagaimana pendapat Bapak/Ibu mengenai laporan mengungkapkan hal-hal yang merupakan masalah yang belum dapat diselesaikan sampai berakhirnya pemeriksaan?
8. Bagaimana pendapat Bapak/Ibu mengenai laporan harus dapat mengemukakan pengakuan atas suatu prestasi keberhasilan atau suatu tindakan perbaikan yang telah dilaksanakan obyek pemeriksaan?
9. Bagaimana pendapat Bapak/Ibu mengenai laporan harus mengemukakan penjelasan atau tanggapan pejabat/pihak obyek pemeriksaan tentang hasil pemeriksaan?
10. Bagaimana pendapat Bapak/Ibu mengenai laporan yang dihasilkan harus akurat, lengkap, obyektif, meyakinkan, jelas, ringkas, serta tepat waktu agar informasi yang diberikan bermanfaat secara maksimal?



### IDENTITAS RESPONDEN

1. Nama : .....
2. Umur : .....
3. Jenis Kelamin : ☐ Pria ☐ Wanita
4. Pendidikan Terakhir : ☐ S3 ☐ S2 ☐ S1 ☐ D3 ☐ SLTA
5. Pangkat/Golongan : .....
6. Jabatan : .....
7. Lama Menjadi PNS : .....
8. Asal Inspektorat : .....
9. Lama di Inspektorat tersebut : .....
10. Pengalaman dimutasi/promosi : ☐ 1 kali ☐ 2 kali ☐ 3 kali ☐ 4 kali ☐ 5 kali keatas
11. Diklat Teknis/Fungsional yang pernah diikuti :
  - a. ....
  - b. ....
  - c. ....
  - d. ....
  - e. ....